CENTRAL BANK OF THE REPUBLIC OF TURKEY

Balance of Payments Report
2011- IV

CENTRAL BANK OF THE REPUBLIC OF TURKEY

Head Office

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OVERVIEW

Economic growth started to decelerate as of the second quarter of 2011 on the back of the slowdown in domestic demand owing to the macroprudential measures taken; and the decoupling between domestic demand and external demand lost pace. In the meantime, parallel to mounting concerns over the global economy and the deterioration in the risk appetite, capital outflows were recorded and the Turkish lira depreciated. Driven by the slowdown in domestic demand, seasonally-adjusted imports decreased significantly in the second half of 2011. Although the global problems continued to restrain foreign demand, exports maintained a moderate trend owing to enhanced competitiveness provided by exchange rate movements and the improved market diversification. This situation helped to contain the rapid growth trend in the current account deficit in the second half of 2011.

According to the balance of payments definition, in the last quarter of 2011, the foreign trade deficit increased by 3.2 percent year-on-year and reached USD 19.4 billion. In overall 2011, it increased by 58.4 percent to reach USD 89.4 billion.

The current account deficit became USD 77.1 billion in 2011. While the ratio of the current account balance to GDP reached 9.7 percent in 2011, the said figure becomes 3.6 percent when energy is excluded.

Net services income posted an increase by 18.2 percent year-on-year in 2011. The largest contribution in the said item came from the sub-items of net tourism revenues and other transportation revenues.

In the fourth quarter of 2011, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 7.8 billion. While other sectors became net borrower in this period, the main sources of capital inflows were banks' and other sectors' long and short-term loans, debt securities (purchase of Government Domestic Debt Securities (GDDS) and bond issues abroad by the Treasury and banks) and foreign direct investments (FDI). In this period, the share of portfolio investments and short-term capital inflows in financing sources decreased as opposed to a rise in FDI and long-term capital inflows.

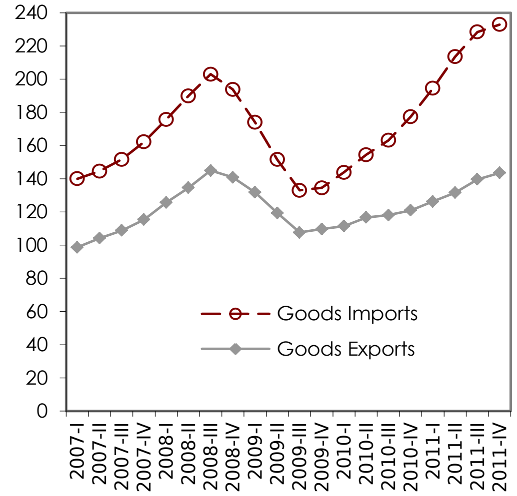
According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 176.5 billion while liabilities to non-residents became USD 500.2 billion at the end of 2011.

Balance of Payments
(billion USD)

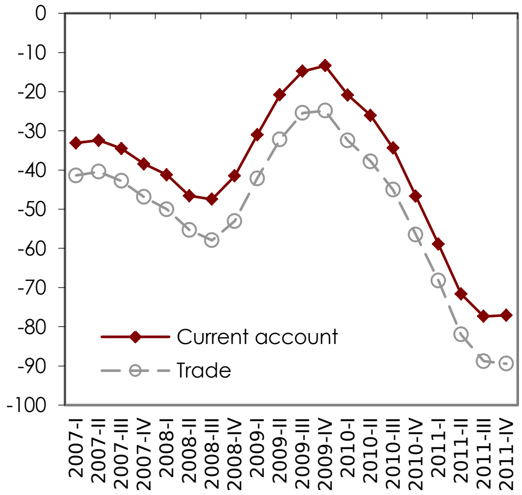
	October-December					
	2010	2011	% change	2010	2011	% change
Current Account	-16,8	-16,5	-1,6	-46,6	-77,1	65,3
Goods	-18,8	-19,4	3,2	-56,4	-89,4	58,4
Exports	33,9	37,8	11,5	120,9	143,5	18,7
Exports (fob)	32,2	35,5		113,9	135,0	
Shuttle Trade	1,2	1,2		5,0	4,4	
Imports	-52,7	-57,2	8,5	-177,3	-232,9	31,3
Imports (cif)	-55,0	-59,2		-185,5	-240,8	
Adjustment: Classification	3,1	2,9		10,8	11,8	
Serv ices	3,7	3,8	2,7	15,5	18,3	18,3
Trav el (net)	3,9	3,8		16,0	18,0	
Credit	5,3	5,2		20,8	23,0	
Debit	-1,4	-1,4		-4,8	-5,0	
Other Serv ices (net)	-0,2	0,0		-0,5	0,3	
Income	-2,1	-1,4	-32,0	-7,1	-7,7	8,2
Compensation of Employees	0,0	0,0		-0,1	-0,1	
Direct Inv estment (net)	-1,1	-0,4		-2,2	-2,8	
Portfolio Inv estment (net)	0,0	0,0		-0,5	-0,9	
Other Inv estment (net)	-1,0	-1,0		-4,3	-3,9	
Interest Income	0,3	0,3		1,1	1,2	
Interest Expenditure	-1,4	-1,4		-5,4	-5,1	
Current Transfers	0,5	0,6	20,5	1,4	1,7	19,4
Workers Remittances	0,3	0,3		0,9	1,0	
Capital and Financial Account	15,2	14,4	-5,5	44,0	67,8	54,3
Financial Account (excl. reserv e assets)	19,6	7,2	-63,2	56,8	66,0	16,3
Direct Inv estment (net)	3,4	3,7	9,1	7,6	13,4	77,2
Abroad	-0,2	-0,7		-1,5	-2,3	
In Turkey	3,6	4,3		9,0	15,7	
Portfolio Inv estment (net)	3,0	6,8	126,0	16,1	25,2	56,9
Assets	-1,1	0,5		-3,5	2,6	
Liabilities	4,2	6,3		19,6	22,7	
Equity Securities	0,9	-0,6		3,5	-1,0	
Debt Securities	3,2	6,9		16,1	23,7	
Non-residents' Purchases of GDDS	2,2	5,2		10,7	14,8	
Eurobond Issues of Treasury	0,7	1,0		4,1	2,5	
Borrowing	0,7	1,0		6,7	4,3	
Repayment	0,0	0,0		-2,6	-1,8	
Other Inv estment (net)	13,2	-3,3	-124,9	33,1	27,3	-17,4
Assets	1,0	-1,1		7,0	10,8	
Trade Credits	-1,8	-0,5		-1,3	-0,8	
Credits	0,0	0,0		-0,4	-0,6	
Currency and Deposits	2,8	-0,6		8,7	10,8	
Banks	4,7	-1,1		13,6	0,1	
Foreign Exchange	4,9	-1,0		13,5	2,3	
Turkish Lira	-0,2	-0,2		0,1	-2,2	
Other Sectors	-2,0	0,6		-4,8	12,3	
Liabilities	12,2	-2,2		26,1	16,5	
Trade Credits	2,2	-1,7		2,1	2,0	
Credits	8,2	2,4		9,7	18,4	
Central Bank	0,0	0,0		0,0	0,0	
General Gov ernment	0,0	-0,5		1,4	-0,8	
IMF	-0,8	-0,7		-2,2	-2,8	
Long-term	0,8	0,2		3,6	2,0	
Banks	8,0	1,7		12,9	12,1	
Long-term	1,1	1,6		0,9	5,3	
Short-term	6,9	0,1		12,0	6,8	
Other sectors	0,2	1,2		-4,6	7,1	
Long-term	-0,2	0,2		-6,1	4,1	
Short-term	0,4	1,0		1,4	3,0	
Deposits of Non-residents	1,8	-2,9		13,8	-4,4	
Central Bank	-0,2	-0,5		-0,6	-2,0	
Banks	2,0	-2,4		14,3	-2,4	
Change in Official Reserv es (- increase)	-4,3	7,2	-266,5	-12,8	1,8	-114,2
Net Errors and Omissions	1,5	2,1		2,7	12,5	

Source: CBT.

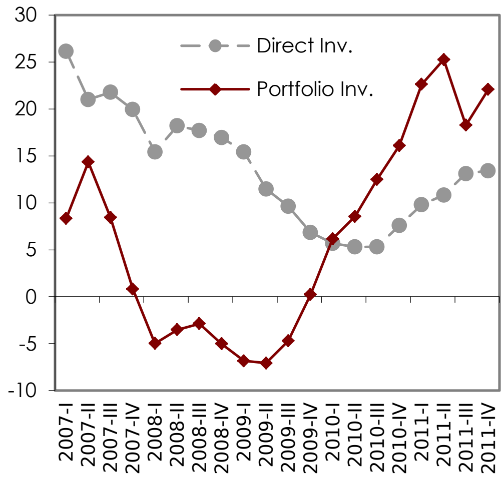
Exports and Imports of Goods
(annualized, billion USD)



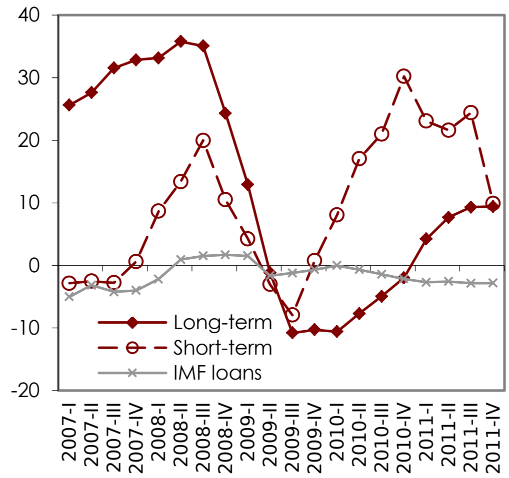
Foreign Trade and Current Account
(annualized, billion USD)



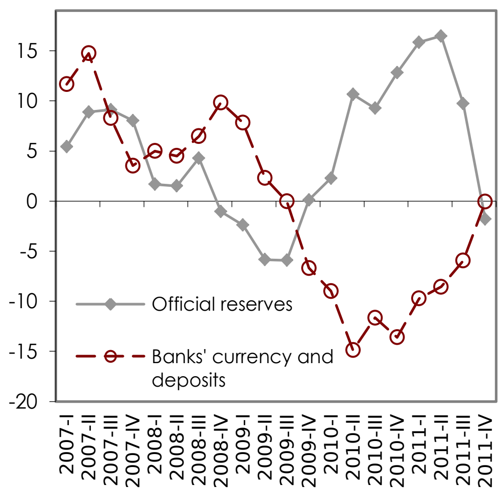
Direct and Portfolio Investment
(annualized, billion USD)



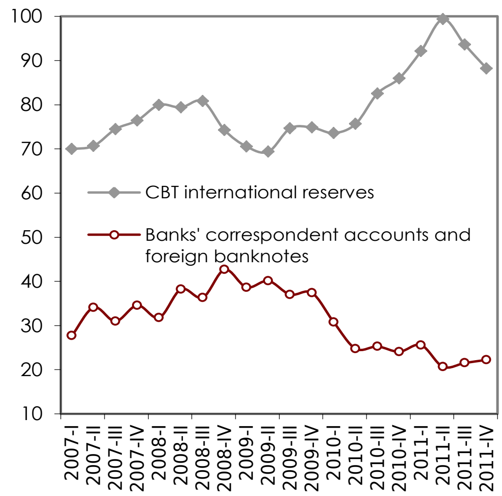
Other Capital Flows
(annualized, billion USD)



Changes in Reserves
(- decrease, + increase)
(annualized, billion USD)



International Reserves
(billion USD)

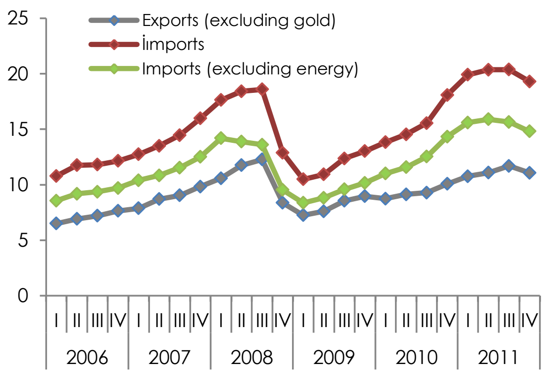


Source: CBT, TURKSTAT.

I. Current Account

1. Economic growth started to decelerate as of the second quarter of 2011 on the back of the slowdown in domestic demand owing to the macroprudential measures taken; and the decoupling between domestic demand and external demand lost pace. Parallel to mounting concerns over the global economy and the deterioration in the risk appetite, capital outflows were recorded and the Turkish lira depreciated. Driven by the slowdown in domestic demand, seasonally-adjusted imports decreased significantly in the second half of 2011. Although global problems continued to restrain foreign demand, exports maintained a moderate trend owing to the enhanced competitiveness provided by exchange rate movements and improved market diversification. This situation contributed to containing the rapid growth trend of the current account deficit in the second half of 2011.

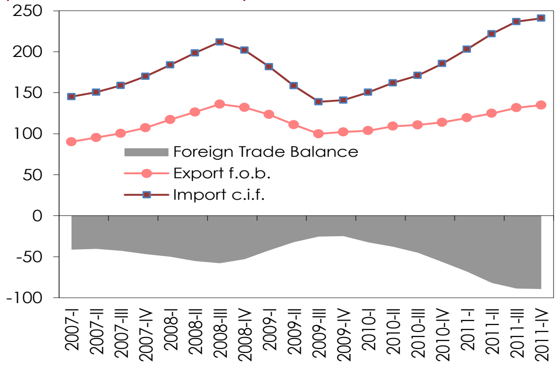
Imports and Exports
(Seasonally adjusted, billion USD)



Source: CBT.

2. According to the balance of payments definition, in the last quarter of 2011, the foreign trade deficit increased by 3.2 percent year-on-year and reached USD 19.4 billion. It increased by 58.4 percent to reach USD 89.4 billion in overall 2011.

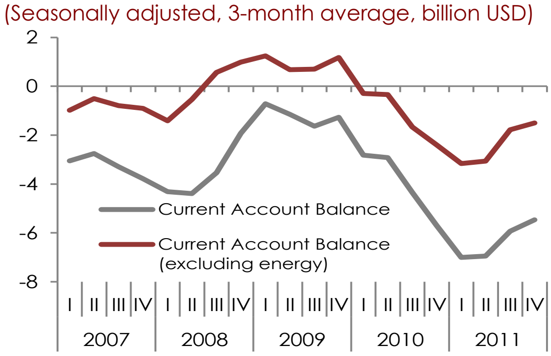
Foreign Trade Deficit
(annualized, billion USD)



Source: CBT.

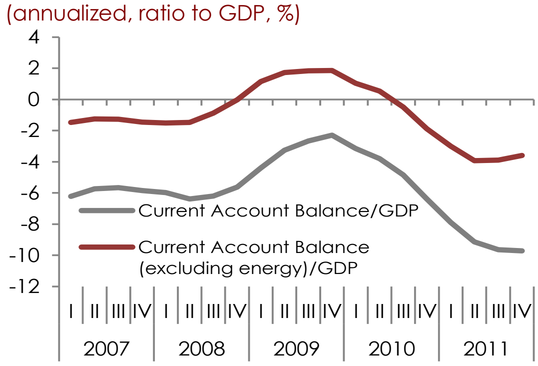
3. In the last quarter, improvement in the current account deficit continued owing to the ongoing moderate trend in exports and the slowdown in imports. Compared to the previous quarter, in seasonally adjusted terms, the current account deficit and the current account deficit, excluding energy, continued to narrow (Box 1). Meanwhile, annualized data suggest that the deceleration in the growth rate of the current account deficit in the third quarter continued. Thus, the current account deficit became USD 77.1 billion in 2011. While the ratio of the current account balance to GDP reached 9.7 percent in 2011, the said figure becomes 3.6 percent when energy is excluded.

Current Account Balance
(Seasonally adjusted, 3-month average, billion USD)



Source: CBT.

Current Account Excluding Energy
(annualized, ratio to GDP, %)



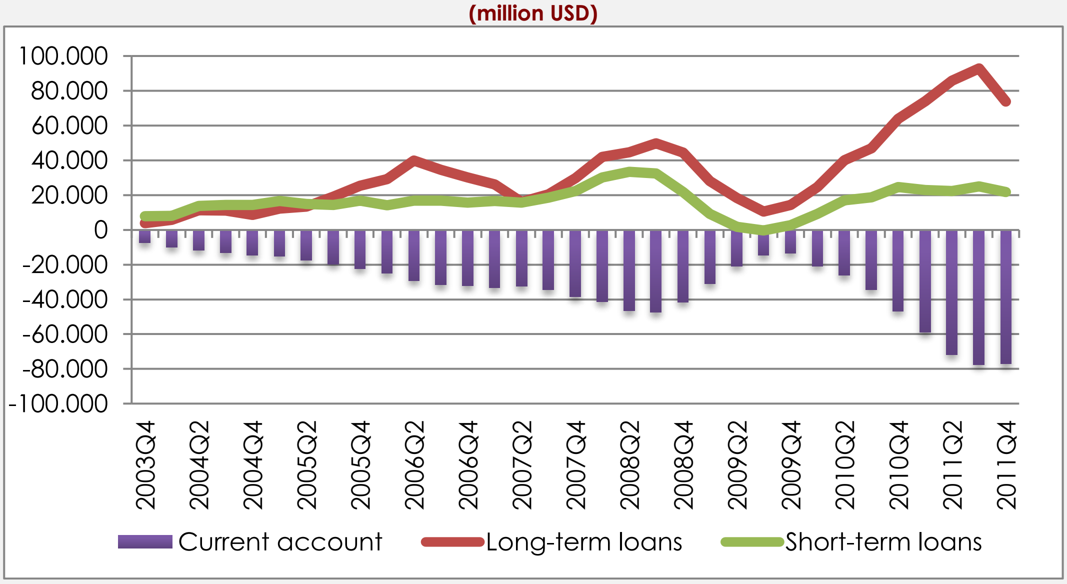
Source: CBT.

Box 1 LOAN EXPANSION AND CURRENT ACCOUNT BALANCE

The widening of the current account deficit during the recovery process in the aftermath of the 2008 and 2009 global financial crisis urged the Central Bank of the Republic of Turkey to review its monetary policy implementations placing a special emphasis on the objective of financial stability. Within this scope, one of the measures taken since November 2010 was containing loan growth. This Box analyzes the relationship between the current account balance and loan growth in the context of the results of the Banks' Loans Tendency Survey, conducted by the CBT Statistics Department and published quarterly.

When movements of net loans extended[1] on a monthly basis are analyzed by maturity and type along with the current account balance, both factors manifested an inverse and parallel relationship following the global financial crisis. The said parallel movement is also observed in the breakdown of loans as short-term and long-term. Likewise, there is a strong inverse and parallel relationship between consumer loans and the current account balance and it becomes more obvious when the current account balance excluding energy is taken into consideration (Chart 1 and Chart 2).

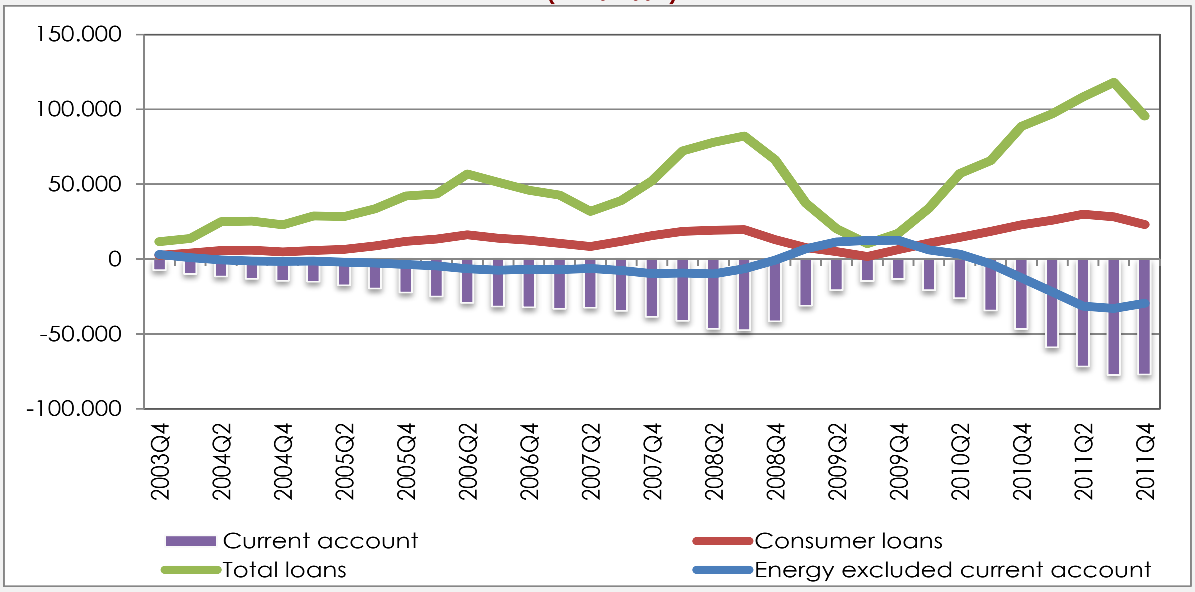
Chart 1. Net Extended Loans by Maturity and Current Account Balance *
(million USD)



*By quarterly periods, annualized.
Source: CBT, BRSA.

[1] Net loans extended were calculated by taking the differences of monthly loan stocks.

Chart 2. Net Extended Loans by Type and Current Account Balance *
(million USD)



*By quarterly periods, annualized.
Source: CBT, BRSA.

Banks' Loans Tendency Survey and Current Account Balance Developments

The "Banks' Loans Tendency Survey" (the Survey), which has been published by the CBT since the second quarter of 2005 facilitates the monitoring of the actual and potential changes in conditions that affect the supply of loans, and factors believed to play a part in these changes as well as the determinants of the demand for loans. In the Survey, which compiles the views of representatives of the top 15 banks that provide nearly 80 percent of loans on aggregate, the *credit standards*, as set by the regulations and/or criteria that steer the Bank's loan policy, are questioned as one of the factors that affect the supply of loans. Tightening of loan standards means that banks are imposing stricter criteria in evaluating applications for loan, whereas, easing of standards carries the opposite meaning. Meanwhile, the change in loan demand implies quarter-on-quarter changes in loan and/or loan line requests to the banks surveyed. Ceteris paribus, a tightening in credit standards and/or a decline in loan line demands is expected to affect the loan growth rate adversely. In this framework, it is considered that the abovementioned strong relationship between the current account deficit and loan expansion can be evaluated along with the survey results and the effects of loan supply and demand can be differentiated.

As a matter of fact, when survey data are analyzed, it is observed that the current account improved in 2008Q4; i.e. in the period following that in which credit standards were tightened, whereas it deteriorated in 2007Q4; i.e. in the period following that in which credit standards were eased. Likewise, while the current account worsens in the quarterly period following that with growing loan demand, it recovers in the period that follows a decline in loan demand. This relationship has become more pronounced since the last quarter of 2008.

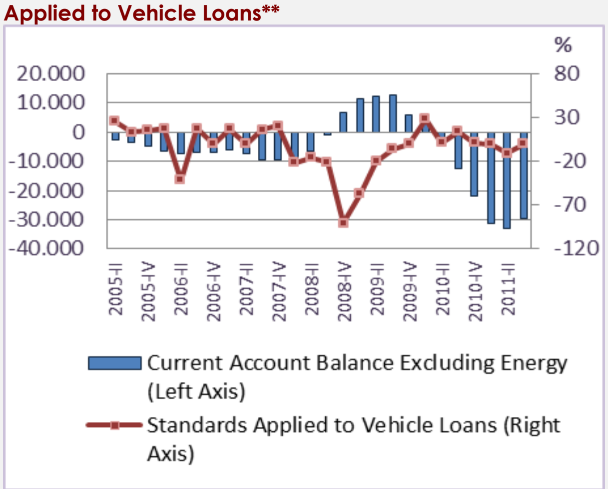
When the survey data are elaborated according to types of loans, developments can be summarized as follows:

- *Vehicle Loans:* This type has the strongest correlation between current account balance and credit standards/demand. Particularly from 2009 onwards, the demand for vehicle loans increased progressively on the back of eased standards for this type of loan by banks, whereas this trend reversed after the second quarter of 2011. It is observed that the current account balance also displayed an inverse trend in the quarter following these changes in the loan market (Chart 3a and 3b).

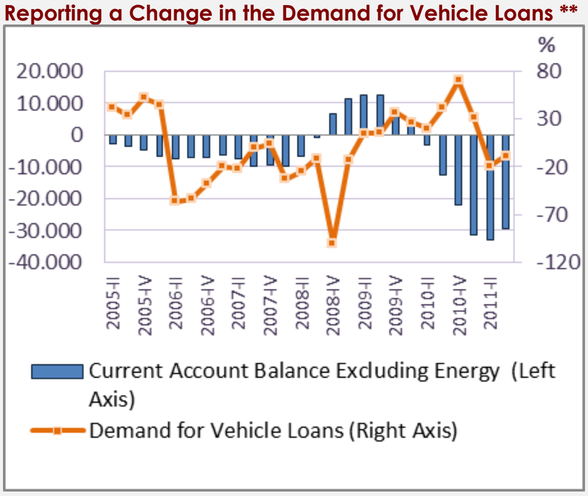
- *Other Consumer Loans:* Standards that had been tightened from the first quarter of 2008 began to be eased in the last quarter of 2010, accompanied by a horizontal trend afterwards. The loan demand, which had generally displayed an upward trend from the first survey periods onwards (except for the last quarter of 2008 and the first quarter of 2009), began to decline from early 2011. It is observed that the standards applied to other consumer loans and the demand for this type of loan trended in the opposite direction of the current account balance (Chart 3c and 3d).

Chart 3. Current Account Balance and Developments in Loans

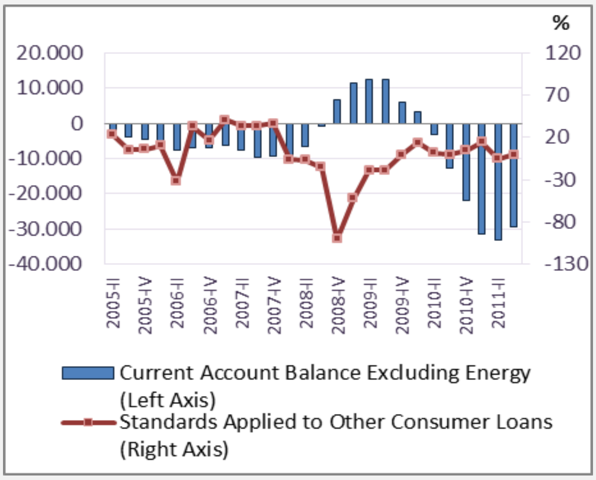
3a. Current Account Balance* (million USD) and Standards Applied to Vehicle Loans**



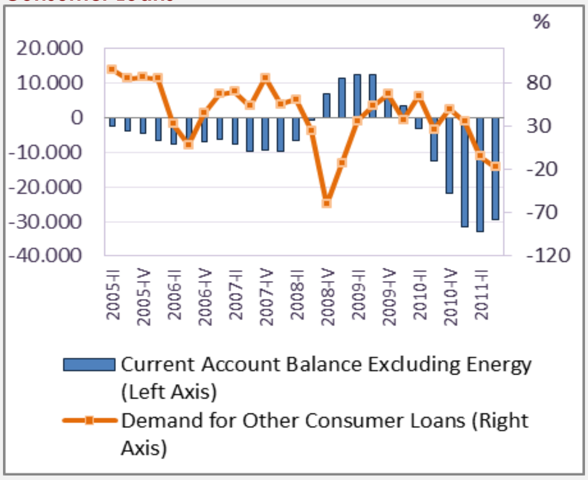
3b. Current Account Bal.* (mil. USD) and Ratio of Banks Reporting a Change in the Demand for Vehicle Loans **



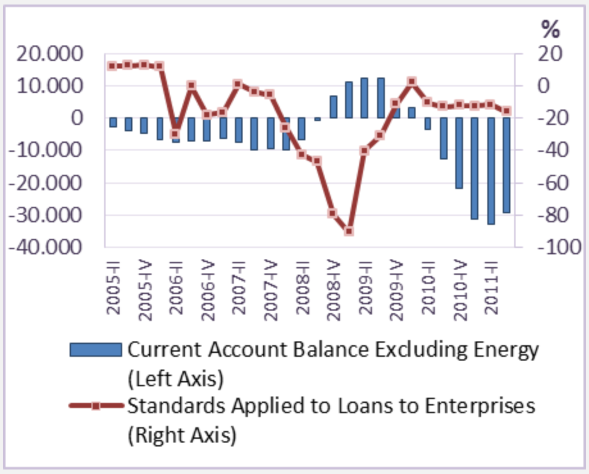
3c. Current Account Balance* (million USD) and Standards Applied to Other Consumer Loans**



3d. Current Account Balance* (million USD) and Ratio of Banks Reporting a Change in the Demand for Other Consumer Loans **



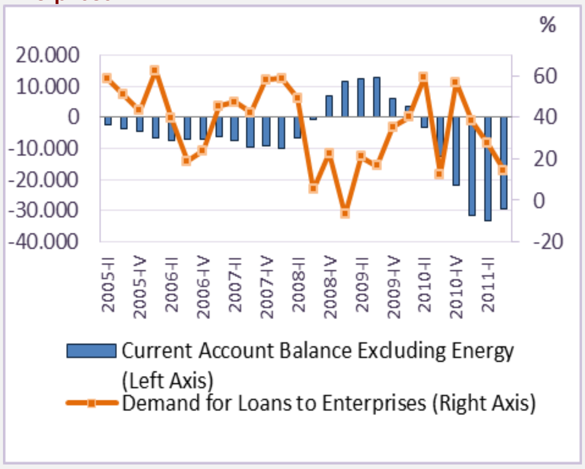
3e. Current Account Balance* (million USD) and Standards Applied to Loans to Enterprises**



Source: CBT.

* Current account balance excluding energy (with a lag of one quarter, on a quarterly basis, annualized).
**Negative value in credit standards implies tightening, positive value implies easing of standards.

3f. Current Account Balance* (million USD) and Ratio of Banks Reporting a Change in Demand for Loans to Enterprises **



* Current account balance excluding energy (with a lag of one quarter, on a quarterly basis, annualized).
** Positive value in loan demand implies an increase in loan demand.

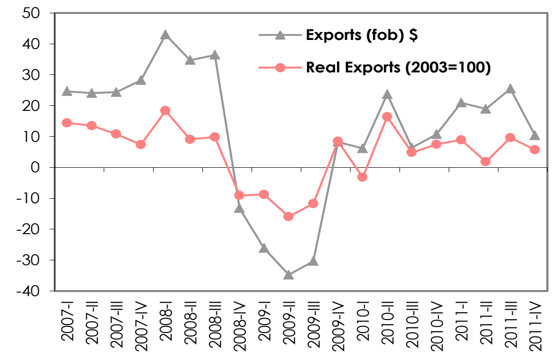
- *Loans to Enterprises:* The relationship between the current account balance and the change in credit standards is stronger than that with the change in demand (Chart 3e and 3f).

To sum up, measures implemented by the Central Bank of Turkey since November 2010 with a view to curbing loan growth have contributed to balancing the current account deficit. An analysis of the Banks' Loans Tendency Survey indicates that supply and demand-side measures on loans affect the current account deficit with a lag of approximately one quarter. An analysis by types of loan suggests that among consumer loans, vehicle loans have the strongest correlation with the outlook of the current account balance. Meanwhile, the easing of standards on loans to enterprises has led to an expansion in the current account deficit.

I.1 Exports of Goods

4. According to TURKSTAT data, compared to the third quarter, growth in exports decelerated in the last quarter of 2011. In this period, exports grew by 10.3 percent year-on-year and reached USD 35.5 billion. In the same period, export quantity and unit value indices were up 5.8 and 4.3 percent, respectively.

Exports- Nominal and Real
(annual % change)

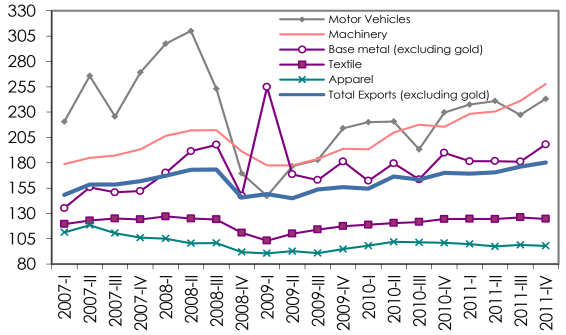


Source: TURKSTAT.

5. Seasonally adjusted data suggest that compared to the third quarter, nominal exports decreased by 5.3 percent, while real exports grew by 2.3 percent in the fourth quarter.

6. In the final quarter of 2011, the largest contribution to annual growth of exports came from exports of basic metal, food and machinery-equipment sectors, respectively. According to seasonally adjusted data, exports of machinery-equipment, motor vehicles and basic metal improved while exports of clothing and textile sectors followed an almost flat course.

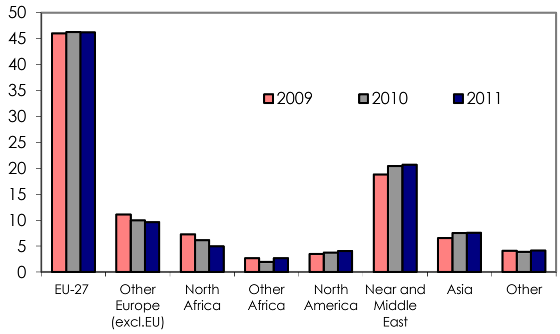
Exports and Selected Sub-Sectors
(Seasonally adjusted quantity indices, 2003=100)



Source: CBT.

7. The share of exports to European Union countries in Turkey's total exports, which dropped due to the global financial crisis, has gradually been recovering. The share of exports to North African countries, especially to Egypt and Libya, dropped due to the political unrest in the region while that of Near and Middle Eastern countries displayed a rise (Box 2). An analysis by country shows that in 2011, the share of Germany, which is the largest market for Turkey's exports, increased. While shares of Iraq, Russia and the USA in total exports increased, those of Italy, France and Spain dropped.

Selected Countries' Shares in Exports
(January-December period -% share in total exports]

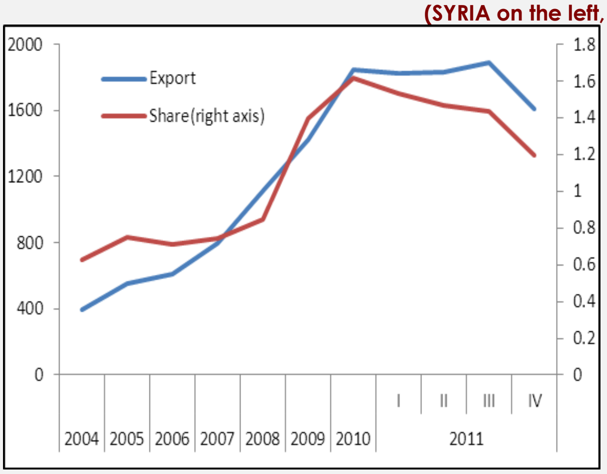


Source: TURKSTAT

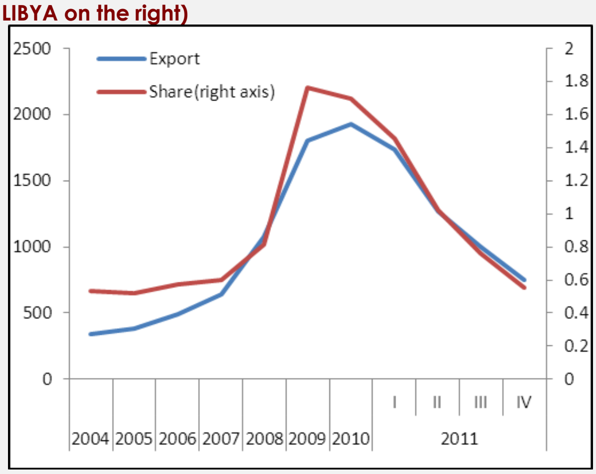
Box 2 REPERCUSSIONS OF THE DEVELOPMENTS IN SYRIA ON TURKEY'S EXPORTS

In recent years, exports to Syria have surged rapidly on the back of both the improvement in political relations and diversification of markets for Turkish exporters. As a matter of fact, exports to Syria, which had been approximately USD 400 million in 2004, climbed to USD 1.8 billion in 2010, and the share of exports to Syria in Turkey's total exports increased from 0.6 percent to 1.6 percent (Chart 1, left). Whereas, in 2011, due to political tension and unrest, exports to Syria halted in the first quarter of the year and fell significantly in the last quarter. In other words, in 2011 exports to Syria declined by nearly USD 200 million compared to 2010 and stood at USD 1.6 billion, while the country's share in Turkey's exports decreased to 1.2 percent. Meanwhile, under the assumption that the share of Syria in Turkey's exports would have maintained its 2010 level in the absence of any political tension and unrest, it can be said that the negative effect of the upheaval in Syria on Turkey's exports amounted to approximately USD 600 million.

Chart 1
Annualized Exports (million dollar) and the Share in Total (percent)
(SYRIA on the left, LIBYA on the right)



Source: TURKSTAT.

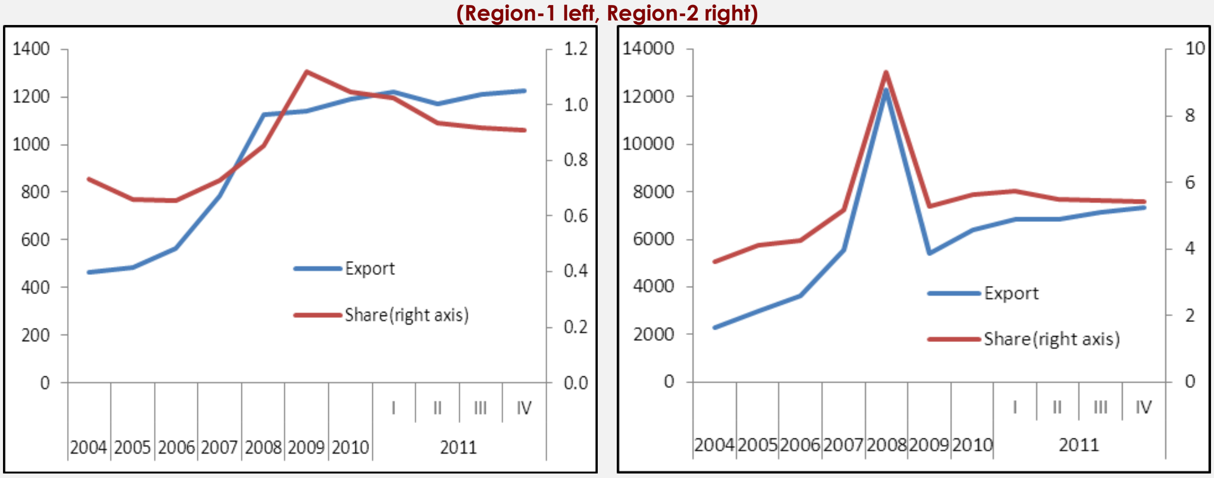


Source: TURKSTAT.

While scrutinizing the effects of the ongoing unrest in Syria, it might be useful to examine exports to Libya, a market which is almost the same size as Syria's and a country, which has experienced political turmoil in the recent period. Similar to the outlook of exports to Syria, exports to Libya have also increased at a rapid pace in recent years. The Libyan market, standing at approximately USD 300 million with a share of around 0.5 percent in Turkey's exports in 2004, increased to USD 1.9 billion and its share to 1.7 percent (Chart 1, right). Nevertheless, due to the internal conflict in 2011, exports to Libya declined rapidly to USD 750 million and the country's share in Turkey's exports dropped to 0.6 percent. Similar to the Syrian case, under the assumption that the share of Libya in Turkey's exports would have been around its 2010 level in the absence of political turmoil, it can be said that the negative effect of the said unrest in Libya on Turkey's exports amounted to approximately USD 1.5 billion.

Due to the fact that Syria shares a border with Turkey, political tension in the country might affect land transportation and this might have a contagious effect on exports to other countries as well. Moreover, it is considered that the upheaval in Syria might have a negative impact on economic growth and hence on the demand for imports in small neighboring countries that are not oil exporters, such as Lebanon and Jordan. In order to examine the impact of the Syrian case on Turkey's exports to countries in the region, these countries have been divided into two groups. The first group (Region-1) includes Lebanon and Jordan that share a border with Syria and are located close to Turkey in terms of land routes. Exports to these countries followed a flat course in 2011 and the share of the region in total exports was 0.9 percent with a slight decline of 0.1 points (Chart 2, left). Even assuming that the said decline in the share of exports was driven solely by the political unrest in Syria, its impact on Turkey's exports has merely been USD 184 million. The second group (Region-2) comprises Saudi Arabia and other Gulf countries that are located in the south of Syria (Kuwait, Qatar, United Arab Emirates and Oman). Although countries listed in Region-2 have a larger share in exports compared to those in Region-1, they are considered to be relatively less affected by the turmoil in Syria owing to their 'oil export-oriented' economies. It is assessed that Syria's negative impact on exports to Region-2 is likely to occur in the short run due to land transport. In 2011, exports to the region continued to rise albeit with less pace and the share of the region in Turkey's exports dropped by 0.2 percent, to 5.4 percent (Chart 2, right). Similar to Region-1, even under the assumption that the said decline was solely driven by disrupted land transportation due to the upheaval in Syria, the situation led to a loss of approximately USD 250 million-in Turkey's exports.

Chart 2
Annualized Exports (million dollar) and the Share in Total (percent)
(Region-1 left, Region-2 right)

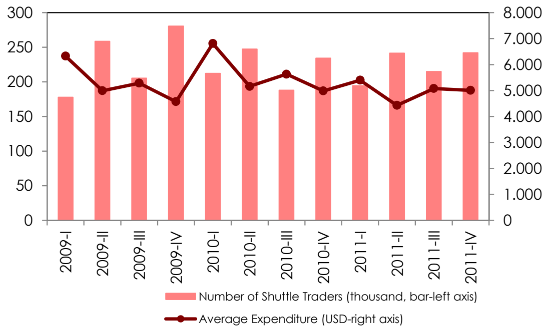


Source: TURKSTAT. Source: TURKSTAT.

In sum, the effect of political turmoil in Syria on Turkey's exports remained limited in 2011. However, if such turmoil in the country persists with the same degree of severity, as was the case with Libya, it is likely that Turkey's exports will continue to be adversely affected in 2012 as well. Nevertheless, Turkey's exports to the relevant countries through transit passage were not affected by a significant margin.

8. According to TURKSTAT data, in 2011, despite the 1.2 percent rise in the number of shuttle traders compared to the previous year, the average amount of expenditures decreased by 11.7 percent; thus, total revenues from shuttle trade declined by 10.6 percent and became USD 4.4 billion.

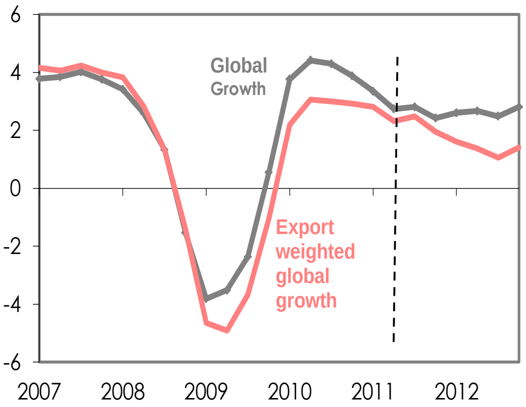
Shuttle Trade



Source: TURKSTAT.

9. Uncertainties over solving the problems across euro area economies that started to heighten in August persist and the growth outlook of the US economy remains weak. On the back of this outlook that is manifested in global growth forecasts, medium term global growth forecasts have been revised downwards.

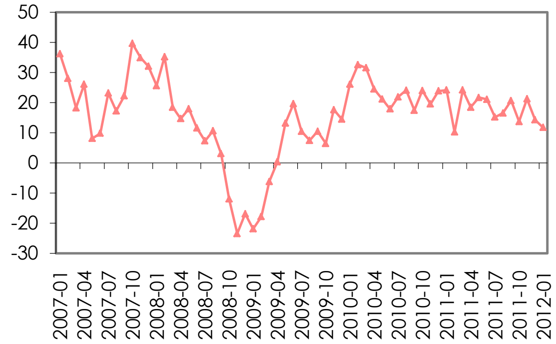
Foreign Demand Index for Turkey
(annual % change)



Source: Bloomberg, Consensus Forecasts, IMF, CBT.

10. Export expectations of manufacturing companies for the next three months have displayed a downward trend in the recent period.

Export Expectations
Expectations (export orders -expectations of next 3 months)
(Seasonally adjusted, (increase -decrease))

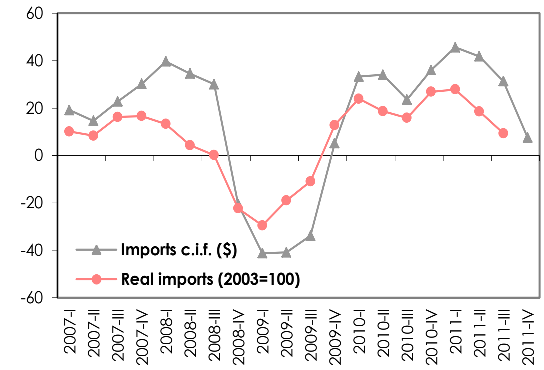


Source: CBT.

1.2 Imports of Goods

11. According to TURKSTAT data, in the fourth quarter of 2011, the rate of growth in imports decelerated significantly, compared to previous quarter. Imports increased by 7.6 percent in annual terms and became USD 59.2 billion. In this period, the import quantity index declined by 1.8 percent while the unit value index was up 9.6 percent.

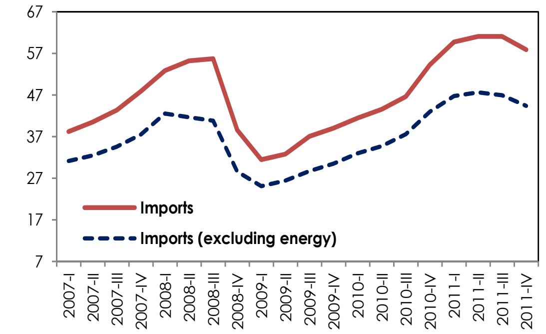
Imports- Nominal and Real
(annual % change)



Source: TURKSTAT.

12. Despite rapid growth rates in annual terms, seasonally adjusted data suggest that the growth of imports started to slow down following the first quarter of 2011. When energy items are excluded, figures indicate a decline in imports in the second half of the year. In this context, data pertaining to the final quarter of the year reveal that the lagged effects of the measures taken by the CBT and the Banking Regulation and Supervision Agency (BRSA) became more visible in the last quarter.

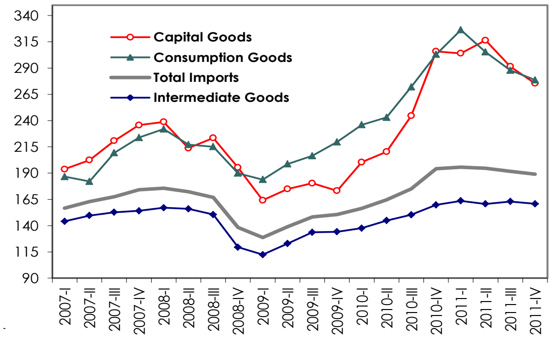
Imports Excluding Energy
(seasonally adjusted, billion USD)



Source: TURKSTAT, CBT.

13. When price effect is excluded, imports displayed a notable slowdown in seasonally adjusted terms after the first quarter of the year. Compared to the third quarter, overall imports declined in the fourth quarter, mainly driven by the slump observed in imports of consumption and investment goods.

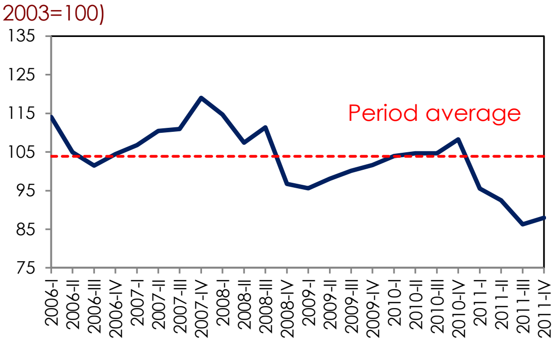
Imports and Selected Sub-Sectors
(seasonally adjusted quantity indices, 2003=100)



Source: CBT.

14. Depreciation in the real exchange rate, which started in early 2011, halted in the fourth quarter. However, the real exchange rate in Turkey continues to remain below the period average of other developing countries.

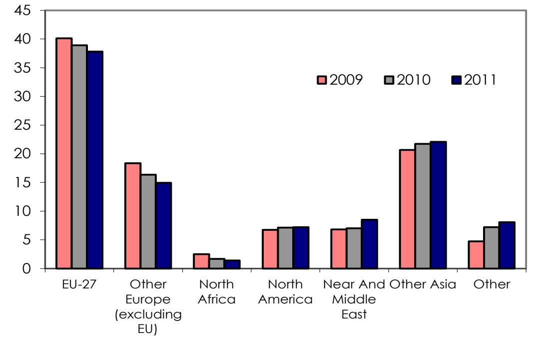
Real Effective Exchange Rate
(compared to developing countries, based on CPI, 2003=100)



Source: CBT.

15. In 2011, the share of imports from European Union countries, European countries other than EU-member states and North African countries declined. Nevertheless, shares of imports from North America and Asian countries increased.

Share in Imports of Selected Regions
(January-September period, share in total imports, %]

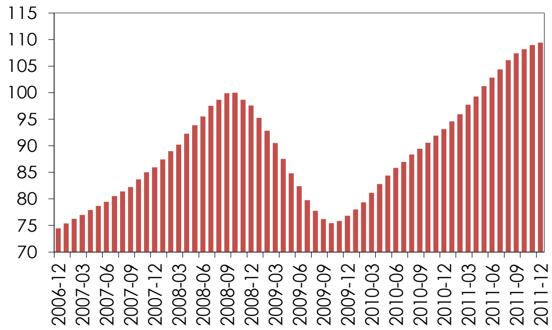


Source: TURKSTAT.

1.3 Global Outlook

16. According to World Trade Organization data, in 2011Q3, world trade expanded by 19.7 percent year-on-year. In annualized terms, in September 2011, world trade was 7 percent above the pre-crisis level.

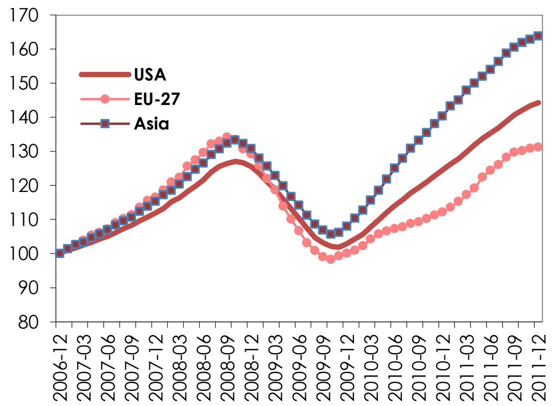
World Total Exports
(annualized, 2008:10 =100)



Source: WTO.

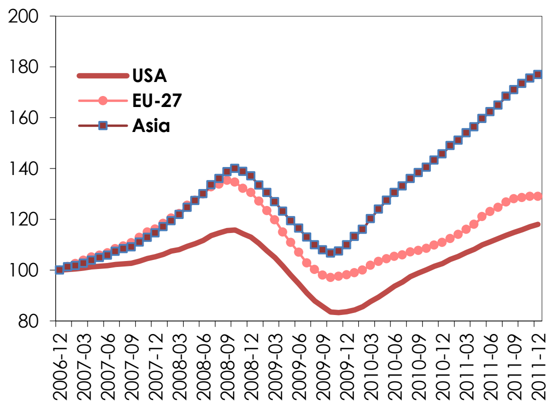
17. Foreign trade data by regions suggest that exports of Asian countries and the USA outpaced their pre-crisis levels throughout 2011. While imports of Asian countries posted a trend similar to exports, those of the USA were still below pre-crisis levels. Meanwhile, European Union exports, keeping in mind that EU has a large share in Turkey's overall exports, posted a more moderate recovery compared to other regions. Throughout 2011, the European Union's exports as well as imports were below their pre-crisis levels.

Exports by Region
(annualized, 2006:12 =100)



Source: WTO.

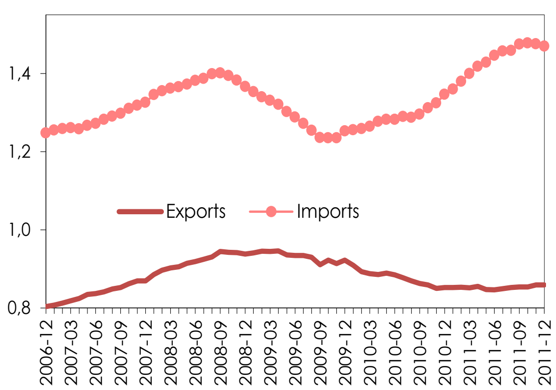
Imports by Region
(annualized, 2006:12 =100)



Source: WTO.

18. Turkey's share in overall world exports, which dropped significantly in 2010 and in the first half of 2011, recovered, albeit slightly, in the third quarter and remained unchanged in the fourth quarter of 2011. Whereas, the share of Turkey's imports in global imports continued to increase and exceeded 1.4 percent.

The Share of Turkey in World Trade (%)

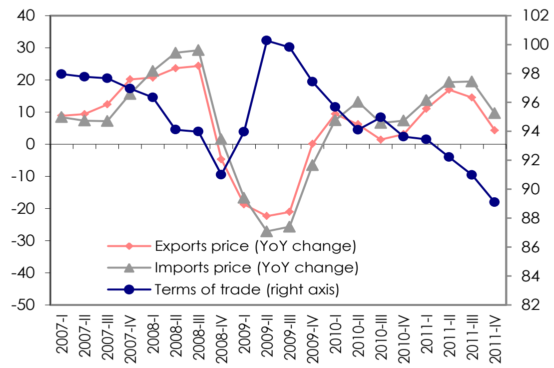


Source: WTO.

1.4 Terms of Trade

19. In the last quarter of 2011, import prices increased by 9.6 percent year-on-year. The mentioned rise was mainly driven by the increment in import prices of raw materials fuelled by the rise in oil prices. In this period, prices of raw materials increased by 12.3 percent, while those of consumption goods and investment goods were up 1.1 and 3.6 percent, respectively.

Terms of Trade (TOT)(2003=100)

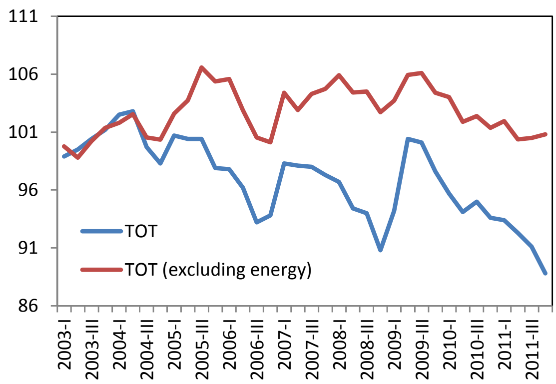


Source: TURKSTAT.

20. In this period, export prices increased by 4.3 percent. In the last quarter of the year, of items with a considerable weight in exports, refined petroleum products became the sector recording the highest increase in export prices, followed by the prices in the basic metal sector.

21. Compared to the previous quarter, import and export prices decreased by 1.9 percent and 3.9 percent, respectively. Accordingly, the deterioration in terms of trade continued in the last quarter. Nevertheless, in the same period, the recovery observed in terms of trade excluding energy is noteworthy.

TOT and Energy-excluding TOT (2003=100)

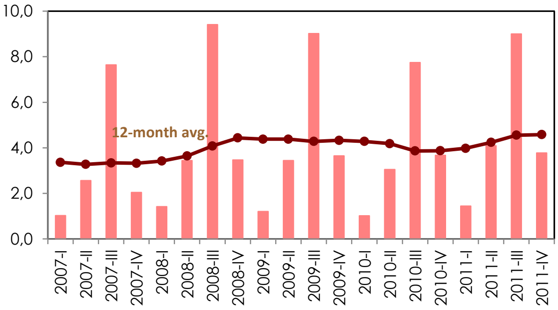


Source: TURKSTAT.

1.5 Services Account

22. In 2011, total expenses surged by 7.5 percent compared to the previous year. However, due to the increase in total income by 12.3 percent in the same period, net services income posted an increase by 18.2 percent year-on-year in 2011. The largest contribution in the said item came from the sub-items of net tourism revenues and other transportation revenues.

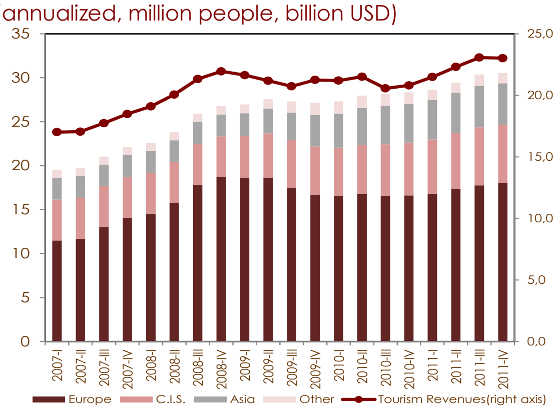
Services Account, net
(billion USD)



Source: CBT.

23. An analysis of net tourism revenues, which assumes the largest share in the services account, reveals that; in 2011, tourism revenues and expenditures increased by 10.6 percent and 3.1 percent, respectively. Consequently, net tourism revenues became USD 18.0 billion in 2011. The mentioned rise in tourism revenues was driven by the 9.5 percent increase in the number of incoming visitors compared to the previous year.

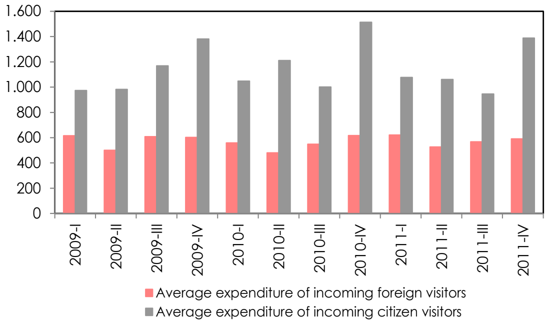
Breakdown of Foreign Visitors and Turkish Citizens Visiting Turkey by Country, and Tourism Revenues
(annualized, million people, billion USD)



Source: TURKSTAT.

24. In 2011, average expenditure per foreign visitor increased by 4.0 percent year-on-year and reached USD 568, while average expenditure per expatriate Turkish citizen decreased by 6.5 percent and became USD 1,082.

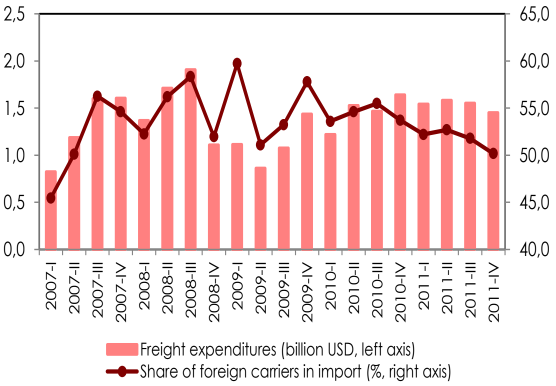
Average Expenditure
(USD/person)



Source: TURKSTAT.

25. In 2011, transportation revenues increased by 16.3 percent year-on-year and transportation expenditures rose by 5.9 percent; thus, net transportation revenues increased by 73.4 percent. The rise in question was mainly driven by the 23.5 percent increase in other transportation revenues composed of services revenues from tickets and food-beverages. While the share of foreign carriers in imports declined in 2011, the surge in imports pushed freight expenditures up by 4.7 percent year-on-year.

Freight Expenditures in Imports and the Share of Foreign Carriers in Imports
(billion USD, percent)



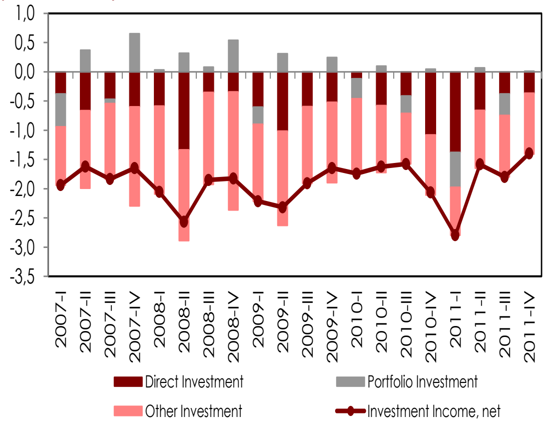
Source: CBT.

1.6 Income Account

26. In 2011, net outflows from the income account increased by 8.2 percent year-on-year and became USD 7.7 billion. Direct investment, portfolio investment and other investment, all listed under the "investment income" item, having the

largest share in the said flows, posted net outflows of USD 2.8 billion, 0.9 billion and 3.9 billion, respectively.

Composition of Investment Income, net
(billion USD)

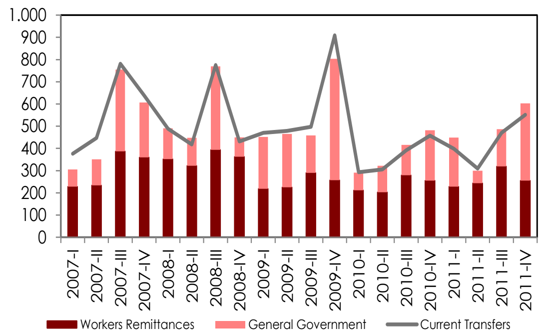


Source: CBT.

1.7 Current Transfers

27. Compared to 2010, current transfers from abroad posted a rise in 2011. General government revenues composed mostly of EU funds increased by 41.0 percent year-on-year and became USD 794 million. Workers' remittances increased by 10.2 percent in the same period. Consequently, current transfers were up 19.4 percent year-on-year.

Current Transfers and Workers' Remittances
(million USD)

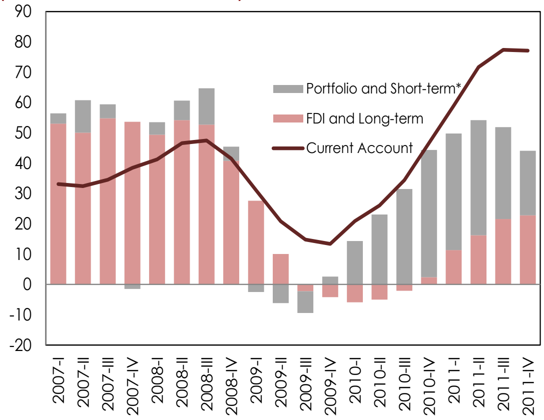


Source: CBT.

II. Capital and Financial Account

28. In the fourth quarter of 2011, capital inflows - excluding changes in reserves (CBT, banks and other sectors) and IMF loans - became USD 7.8 billion. Compared to the fourth quarter of 2010, other sectors became net borrower in the fourth quarter of 2011. The main sources of capital inflows were banks' and other sectors' long and short-term loans, debt securities (purchase of Government Domestic Debt Securities (GDDS) and bond issues abroad by the Treasury and banks and foreign direct investments. In this period, the share of portfolio investments and short-term capital inflows in financing sources decreased as opposed to a rise in foreign direct investments and long-term capital inflows.

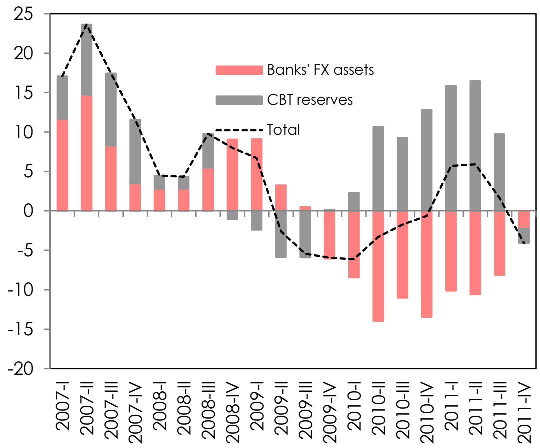
Current Account and Its Financing
(annualized, billion USD)



Source: CBT.
* Short-term capital flows are composed of net loans of the banks and other sector and deposits held within resident banks.

29. CBT reserves declined by USD 1.8 billion in 2011. This decline was mainly attributable to the CBT's foreign exchange selling auctions as well as direct FX selling interventions and the decrease in non-resident Turkish workers' deposit accounts held with the CBT offsetting the surge in deposits that banks have to maintain at the CBT and the Treasury's bond issues abroad. In 2011, total international reserves decreased by USD 4.1 billion also due to the USD 2.3 billion decline in banks' FX assets

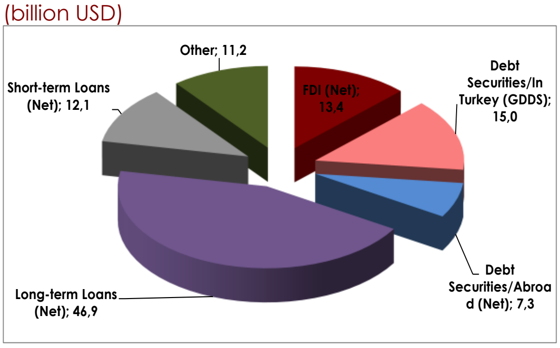
International Reserves
(annualized, billion USD)



Source: CBT.
Note: (+) increase; (-) decrease

30. Parallel to the increased current account deficit, the financing requirement materialized as USD 105.9 billion in 2011.[2] Analysis by financing sources indicates that this was due mainly to net long-term borrowings as well as debt instruments (net GDDS purchases and bond issues abroad) primarily of banks and other sectors. Besides, foreign direct investments and net short-term borrowings constituted the other financing sources (Box 3 and 4).

Selected Items of Financing Sources*
(billion USD)



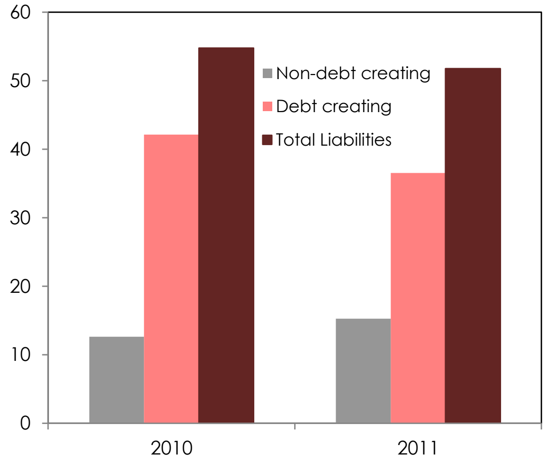
Source: CBT.
* Represents 2011Q3 realizations.

31. In line with the mentioned developments in financing sources, debt-

[2] See Annex Tables, "Financing Requirements and Sources".

creating financing sources increased by USD 36.5 billion and non-debt creating financing sources increased by USD 15.2 billion in 2011. In 2010, the said sources had increased by USD 42.1 billion and 12.6 billion, respectively[3].

Debt Creating and Non-debt Creating Liabilities Under Financial Account
(billion USD)



Source: CBT.

[3] See Annex Tables, "Balance of Payments Debt-Creating and Non-Debt Creating Financing Flows".

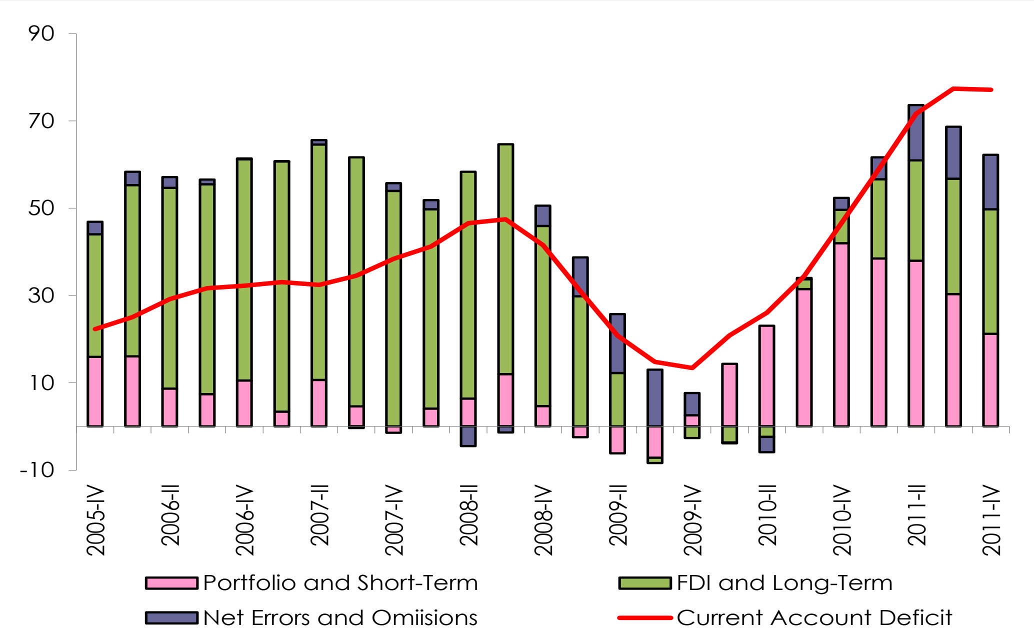
Box 3 CURRENT ACCOUNT DEFICIT AND FINANCING ITEMS

The decoupling of growth dynamics between advanced and emerging economies in the aftermath of the global crisis accelerated capital flows towards countries with relatively low risk, like Turkey. Accelerated capital flows boosted domestic demand through loans on the one hand, and led to excessive appreciation of the Turkish currency, on the other which in turn reinforced the demand for imported goods. Meanwhile, as a result of the slow recovery in foreign demand in the post-crisis period, the divergence between domestic and foreign demand became more visible. In line with these developments, the current account deficit in Turkey expanded rapidly to reach USD 77.1 billion in 2011. In this context, monitoring the source and nature of capital inflows in addition to their size has become prominent in financing the current account deficit. This box explores capital flows towards Turkey under three main headings as maturity, residency and sectoral breakdown, and discusses the financing structure of the current account deficit.

I. Maturity Structure of Capital Movements

An analysis of the financing of the current account deficit according to maturity breakdown suggests that long-term and short-term capital flows have displayed fluctuations in recent years. In fact, while capital flows to Turkey in the pre-crisis period were driven mainly by direct investments and long-term inflows, the share of short-term capital inflows increased in the financing of the current account deficit in 2009 and 2010. Particularly the rapid deterioration in the current account balance and the ever increasing share of short-term capital inflows and portfolio investments in its financing in 2010 enhanced the vulnerability of the economy to sudden changes in the global risk appetite. This, in turn, highlighted concerns over macroeconomic and financial stability and hence, necessitated an alternative policy approach. In this respect, with a view to directing short-term capital inflows towards longer maturities, in the last quarter of 2010 the CBT lowered policy rates on the one hand and raised the volatility of short-term interest rate on the other, by widening the interest rate corridor (the difference between overnight lending and borrowing rates). As a consequence of these unorthodox monetary policy measures, the share of long-term capital inflows in the financing of the current account deficit rose gradually during 2011 (Chart 1).

Chart 1: Major Financing Sources of Current Account Deficit (according to maturity breakdown, annualized, billion USD)



Source: CBT.

It is observed throughout 2011 that long-term capital inflows were mainly driven by foreign direct investments and external borrowings of the banking and private sectors, while short-term capital inflows stemmed from bank loans and portfolio movements; the majority of which consisted of non-residents' purchase of government domestic debt securities (GDDS) (Chart 2 and 3).

Chart 2: Foreign Direct Investments and Sub-items of Long-term Financing (annualized, percentage share)

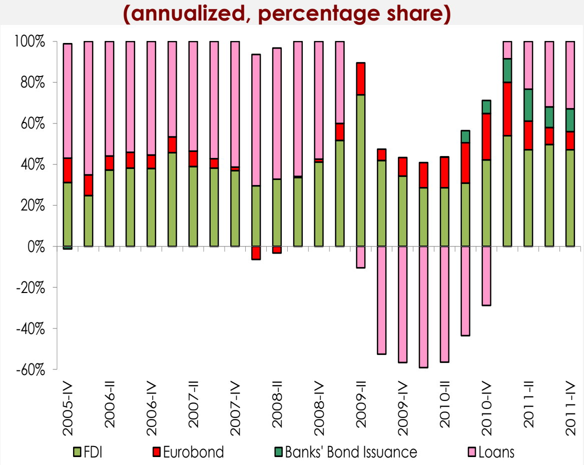
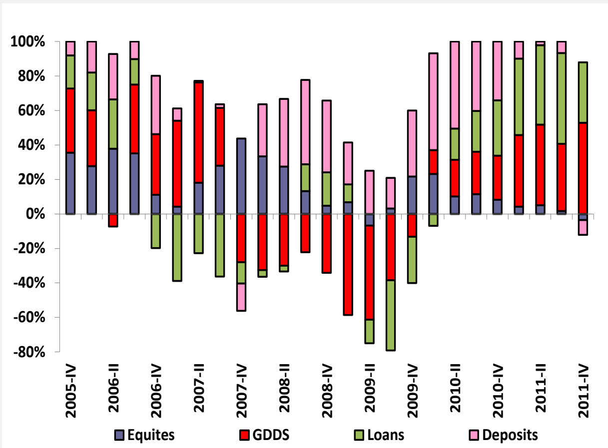


Chart 3: Sub-items of Portfolio and Short-term Financing (annualized, percentage share)



Source: CBT.

II.Capital Movements Generated by Residents and Non-Residents

An analysis of capital flows to Turkey with respect to residents and non-residents indicates that capital flows generated by residents display a more volatile trend compared to those generated by non-residents. During the global financial crisis, capital outflows were mainly driven by residents while non-residents accounted for capital inflows. In 2011, however, the shares of residents and non-residents in total net capital flows were almost equivalent (Chart 4). Meanwhile, the largest share in capital inflows generated by non-residents was made up of direct investments and purchases of GDDS while residents' capital inflows mainly consisted of external borrowings (Chart 5).

Chart 4: Financing Sources by Residents/Non-Residents (annualized, percentage share)

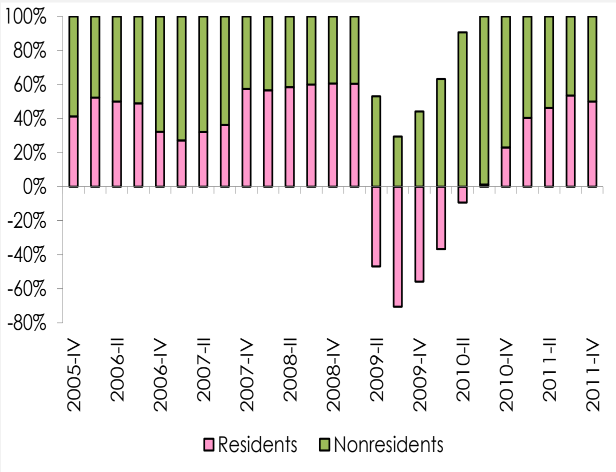
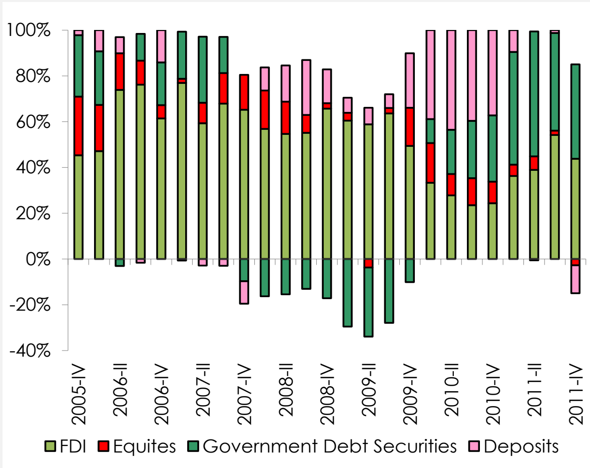


Chart 5: Sub-items of Financing Driven by Non-residents (annualized, percentage share)

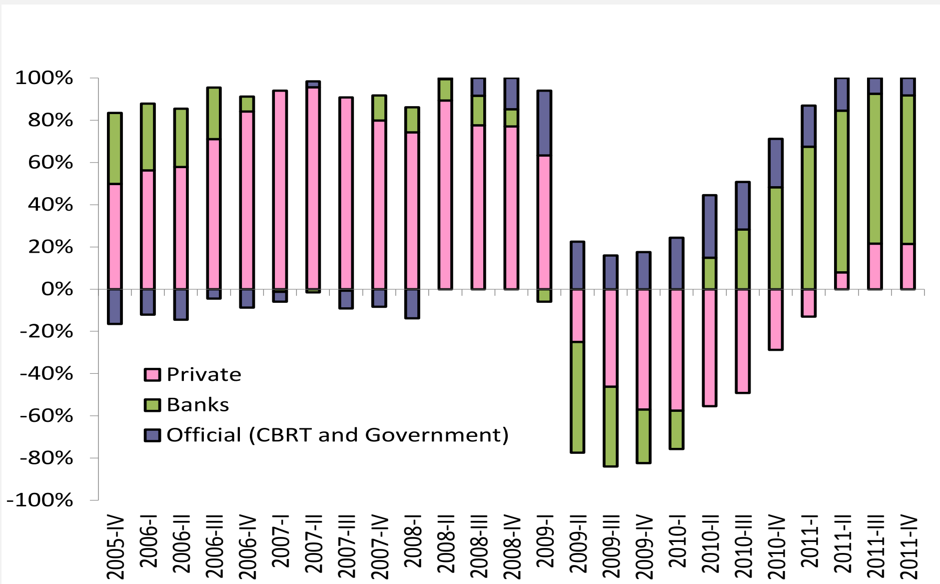


Source: CBT.

III. Sectoral Capital Movements

During the pre-crisis period, while the share of net capital flows driven by the other sector in total net capital flows was around 80 percent on average; in 2010 and 2011, the highest share of net capital flows belonged to the banking sector. In the meantime, the share of net capital flows driven by public enterprises within total net capital flows continued to maintain its low level (Chart 6).

Chart 6: Financing Sources by Sector (annualized, percentage share)



Source: CBT.

In conclusion, the share of long-term capital movements in financing the current account deficit rose gradually throughout 2011, owing to the macroprudential measures taken. Foreign direct investments and external borrowings of the banking and private sectors became determinant in the said long-term capital inflows. Meanwhile, the significant rise in the capital flows generated by residents is noteworthy.

Box 4 THE IMPACT OF THE EUROPEAN DEBT CRISIS ON CAPITAL FLOWS TO TURKEY

In the third quarter of 2011, mounting concerns over problems of sovereign debt sustainability across the euro area - especially in Greece - coupled with the slower-than expected recovery in the U.S. real estate and labor markets, intensified the downside risks regarding global economic activity. Accordingly, capital flows to developing countries slowed down amid increased uncertainties pertaining to the global economy and deterioration in the risk appetite. Capital flows to Turkey in the second quarter of the year were adversely affected by the mentioned developments as well. The monthly average of net capital inflows[4] to Turkey, which was USD 7.1 billion in the January-July 2011, decreased to USD 2.6 billion in the August-December 2011. Tthe corresponding monthly averages of the current account deficit figures were USD 7.2 billion and 5.4 billion, respectively.

An analysis of capital flows in terms of maturity and sectors reveals that by July 2011, total capital flows to Turkey exceeded the current account deficit and official reserves posted a significant rise together with the increase in the net errors and omissions item. Nevertheless, this trend was reversed at the end of 2011 due to aggravated problems in the euro area in the second half of the year. The current account deficit exceeded net capital inflows and official reserves posted a decline, albeit limited (Table 1).

Table 1: External Financing (annualized, USD billion)

	July 2011	December 2011
Current Account Balance	**-73.7**	**-77.1**
Net Capital Flows	**76.2**	**62.3**
FDI and Long-Term	24.9	27.7
FDI	12.2	10.4
Banks (Loans and Bonds Issuance)	5.8	8.5
Roll-Over Ratio (%)	140.5	106.9
Private	2.8	4.1
Roll-Over Ratio (%)	110.8	115.9
Official	4.1	1.7
Portfolio and Short-Term	51.3	34.6
Equities and Government Debt Securities	18.5	13.8
Banks	25.9	1.0
Loans	15.9	6.8
Deposits	10.0	-5.8
Private	6.9	18.8
Loans	2.2	3.0
Deposits	4.7	10.8
Net Errors and Omissions	**13.0**	**12.5**
Official Reserves*	**-15.2**	**1.8**

** - = increase*

[4] Excluding CBT reserves.

A breakdown of the slowdown in capital inflows by maturity and sector suggest that further intensified debt problems in the euro area have adversely affected short-term capital inflows stemming from portfolio investments[5] rather than those stemming from long-term capital inflows (Chart 1 and 2). Hence, in annualized terms, portfolio and short-tem capital inflows, which summed up to USD 51.3 billion in July, have rapidly decreased from August onwards and became USD 34.6 billion at the end of the year. Meanwhile, direct investments and long-term capital inflows, which were USD 24.9 billion in July, reached USD 27.7 billion by the end of the year. The slowdown in short-term capital inflows stemmed mainly from the decline in the loan utilization of the banking sector, along with the decrease in banks' deposit liabilities and rise in deposits at their correspondent banks abroad. Meanwhile, inward direct investments and long-term loan utilization of banks and the non-bank private sector posted a noteworthy rise in the second half of the year. Improvement in the long-term debt sustainability ratios of banks and the non-bank private sector is prominent in the second half of the year.

Chart 1: Sub-items of Portfolio and Short-term financing (annualized, billion USD)

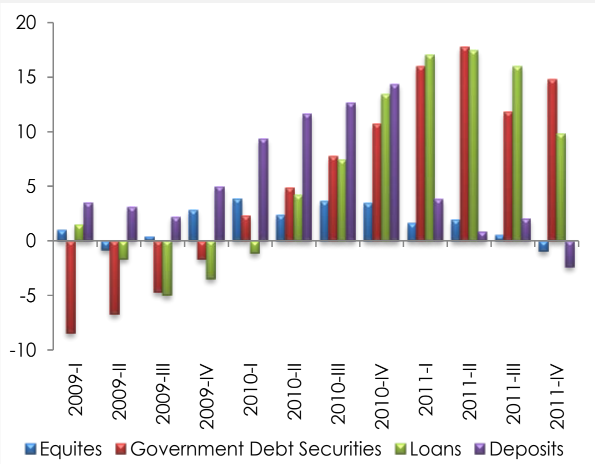
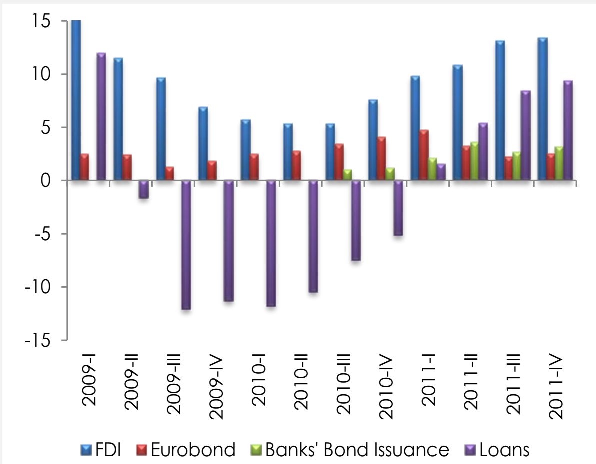


Chart 2: Sub-items of FDI and Long-term Financing (annualized, billion USD)



Source: CBT.

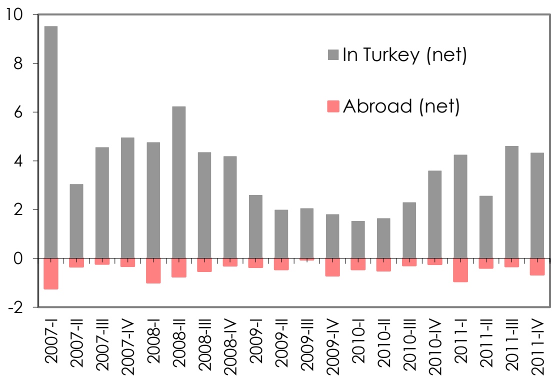
In conclusion, intensified sovereign debt crisis in the euro area in August 2011 mainly affected short-term capital flows to Turkey. In the mentioned period, inflows driven by portfolio investments and short-term capital movements decreased, while the favorable trend in long-term capital inflows continued. Moreover, it is believed that the macroprudential measures introduced by the CBRT in the final quarter of 2010 with the aim of encouraging long-term capital inflows have curbed the adverse effect of the European debt crisis on the quality of foreign financing.

[5] Portfolio investments are composed of non-residents' net purchases of equities and GDDS.

2.1 Direct Investment

32. In 2011, net direct investments increased by 77.1 percent year-on-year and reached USD 13.4 USD billion with the contribution of USD 3.3 billion-worth of non-resident's direct investments in Turkey in 2011Q4. While USD 2.0 billion of total direct investments was comprised of real estate investments, USD 7 million came from capital inflows emanating from loans extended to foreign-capital companies in Turkey by their associates abroad (Box 5). In the same period, residents' investments abroad was recorded as USD 2.3 billion.

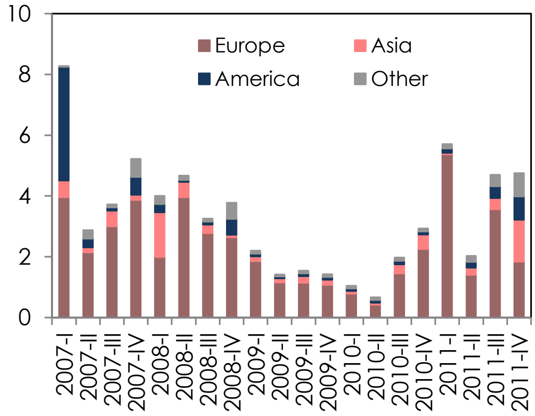
Direct Investment
(billion USD)



Source: CBT.

33. An analysis of direct investments in Turkey by countries reveals that except for the first quarter of 2007, the leading investors in Turkey have always been European countries. This trend continued in the final quarter of 2011 as well and the share of European countries became 46.2 percent. Moreover, in this quarter an increase in the direct investment realized by Asian countries is recorded. The share of direct investments of residents of European countries in Turkey became 77.6 percent for the entire year.

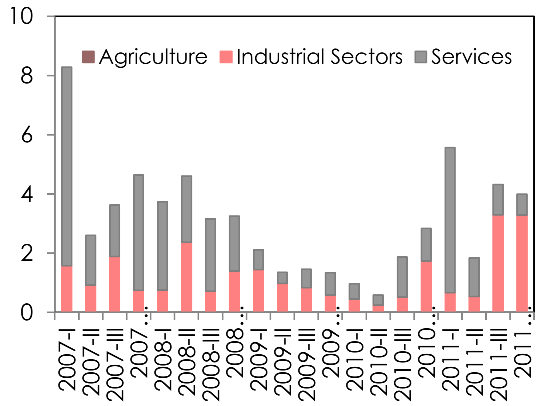
Direct Investment in Turkey- Geographical Distribution
(billion USD)



Source: CBT.

34. An analysis of non-residents' direct investments in Turkey by sectors suggests that USD 7.7 billion was invested in industrial sectors and USD 7.9 billion was invested in services sector. In the main industrial sectors item, almost half of the investments were made in manufacturing industry while 74.4 percent of all investments in services sector was made in financial intermediation sector.

Direct Investment in Turkey-Sectoral Distribution
(billion USD)



Source: CBT.

Box 5 FOREIGN DIRECT INVESTMENTS IN TURKEY

Direct investments, defined as one of the main pillars of financial globalization, have become more important due to the worldwide-accelerated capital movements. When considered in respect of developing countries, direct investments are believed to bring along advances in fundamental areas such as financial strength, technology transfer, managerial competence and access to new foreign markets. In Turkey, increased foreign direct investments are believed to help reduce capital shortfall, replace old technology with the new and boost productivity, and support accessibility to new foreign markets.[6] In this Box, recent developments in foreign direct investments as a capital item becoming more important in the financing of the current account deficit will be summarized by sub-items and based on sectoral and, geographical breakdown

I. Definition and Scope

According to international standards, direct investment is an international investment that reflects the objective of obtaining a long-term interest by a resident entity in one economy in an enterprise resident in another economy. Direct investment definition requires that direct investor should have the ownership of 10 percent or more of the ordinary shares or the voting power in the management of an enterprise. Direct investments in Turkey, which are classified in line with this definition and are provided under the "in Turkey" sub-item under the "Direct Investments" title of Financial Account of the balance of payments statistics are composed of:

- Equity capital,
- Reinvested earnings and
- Other Capital

making up the "Capital" item and

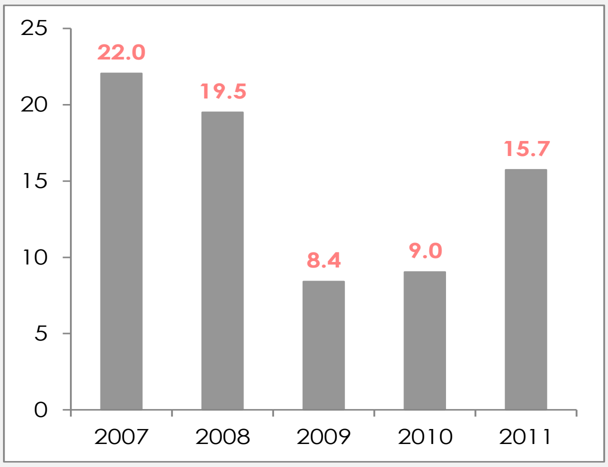
- "Other Capital" refers to investments associated with borrowing and lending of funds between resident direct investment enterprises and foreign direct investors/fellow enterprises,
- "Real Estate" indicating covers the value of the real estate acquisitions and sales of nonresidents in Turkey.

[6] For further information, see: Dülger, H. (2012) "The Methodology of Foreign Direct Investment Compilation and the Turkish Case" , Central Bank of the Republic of Turkey, The Thesis for Qualification as Specialist , January 2012.

II. General Tendency

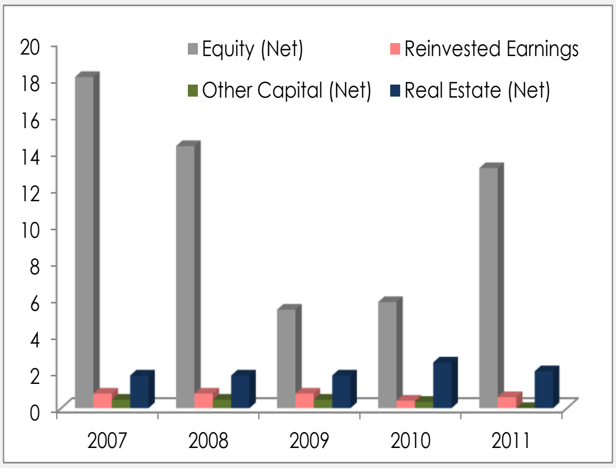
Following the global financial crisis in 2008, a global decline was observed in international direct investment movements. Due to these global developments, investments in Turkey decreased as well (Chart1). Thus, direct investments, which were USD 22 billion in 2007, declined to USD 19.5 billion in 2008 and to USD 8.4 billion in 2009. Direct investments, which began to recover in 2010, reached USD 15.7 billion in 2011. When the breakdown of direct investments are analyzed by sub-items, it is observed that in 2011, USD 13.1 billion of direct investments were composed of net equity capital inflows (including liquidation transactions), while USD 600 million and USD 2 billion were composed of reinvested earnings and real estate investments, respectively (Chart 2).

Chart 1.Direct Investments in Turkey (billion USD)



Source: CBT.

Chart 2. Sub-items of Direct Investment in Turkey (billion USD)

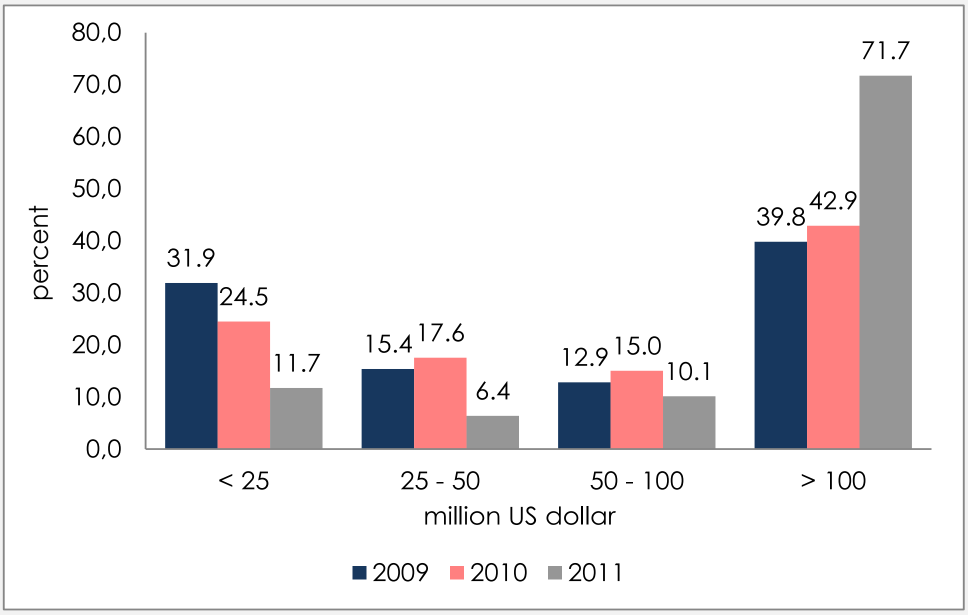


Source: CBT.

III. Equity Capital Inflows and Business Scale Distribution

The ratio of gross equity capital investments above USD 100 million, which were made in about 1 percent of foreign capital companies located in Turkey, to the total ratio of equity capital inflows in 2009 and 2010 was 39.8 percent and 42.9 percent, respectively. In 2011, the ratio of gross equity capital investments over USD 100 million made in 1.6 percent of foreign capital companies located in Turkey to the total ratio of equity capital inflows became 71.7 percent. While, the ratio of gross equity capital investments of less than USD 25 million made in 95 percent of foreign capital companies established in Turkey to the total ratio of equity capital inflows in 2009 and 2010 was 31.9 percent and 24.5 percent respectively, the said ratio became 11.7 percent in 2011. Therefore, compared to previous years, the ratio of gross equity capital investments over USD 100 million, which can be defined as large-scale investments, increased in 2011 (Chart 3).

Chart 3.Distribution of Equity Capital Inflows According to Business Scale (percent)

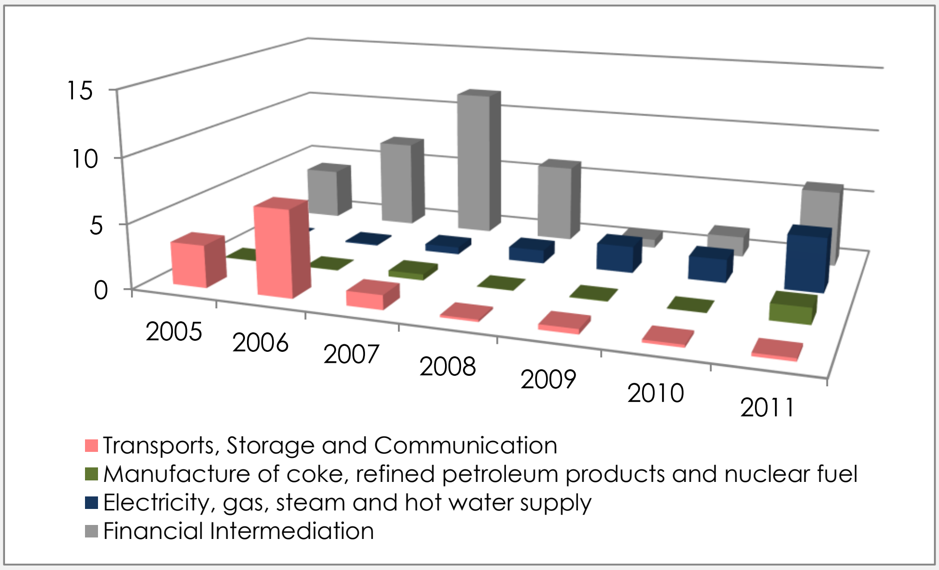


Source: CBT.

IV. Sectoral and Geographical Breakdown

While investments in the sectors "Transports, Storage and Communication", "Manufacture of coke, refined petroleum products and nuclear fuel" and "Financial Intermediation", which used to receive an overwhelming portion of direct investments, decreased in 2008 and 2009, investments in the "Electricity, gas, steam and hot water supply (energy)""sector posted a rise despite the global financial crisis. In 2010 and 2011, all four mentioned sectors received notable amounts of investment and the share of these sectors in total investments increased to become 58.0 percent and 74.1 percent, respectively (Chart 4).

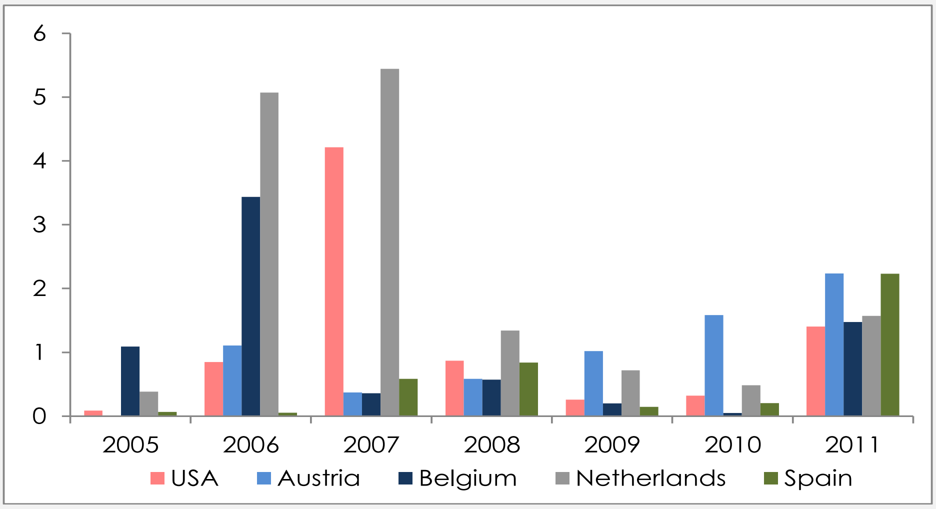
Chart 4. Sectoral Breakdown of Direct Investments in Turkey (billion USD)



Source: CBT

A geographical breakdown of direct investments in Turkey indicates that the Netherlands, which was the leading direct investor in Turkey between 2006 and 2008, was replaced by Austria in the period 2009-2011. By continents, EU countries' average share in direct investments in Turkey was 78.0 percent between 2005-2011, while shares of North America and Asia were 13.9 and 13.3 percent, respectively (Chart 5).

Chart 5. Geographical Breakdown of Direct Investments in Turkey (billion USD)



Source: CBT.

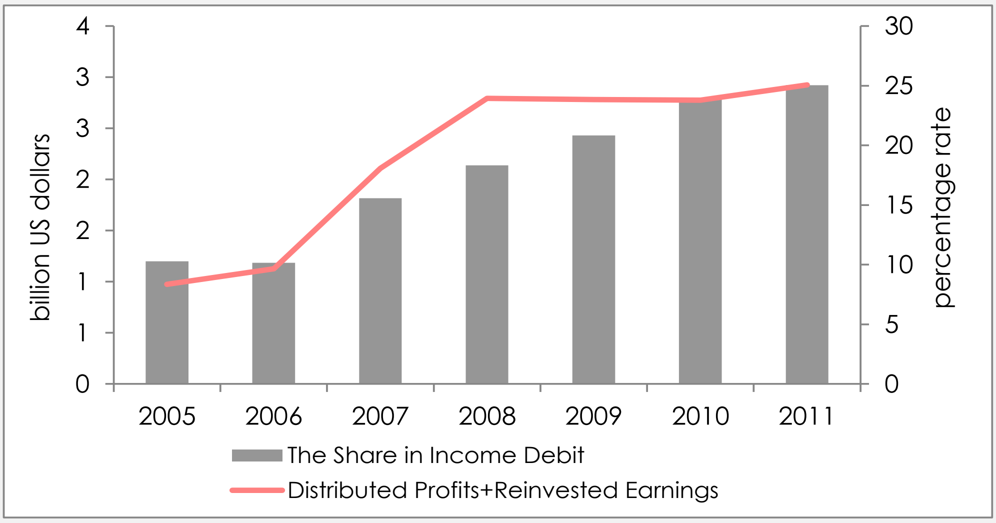
A sectoral breakdown of direct investments in Turkey by country reveals that in 2011 Spain, Belgium and France were the leading countries with respect to investments in financial intermediation institutions, composed of banks, insurance companies and other financial institutions in Turkey and their respective shares were 35.4 percent, 23.7 percent and 13.9 percent. In the same period, the top three countries investing in the energy sector in Turkey were Austria, the United States and Russia with respective shares of 50.6 percent, 19.3 percent and 17.8 percent. Austria, which was the leading direct investor in the Turkish energy sector in 2010, increased its share by 40.6 percent year-on-year and continued to be the leader in 2011. Investments in manufacture of coke, refined petroleum products and nuclear fuel sector have been increasing recently, mainly driven by investments from Azerbaijan.

V. Distributed Profits

In balance of payments statistics, the "Investment Income/Direct Investment/Debit" sub-item under the "Income" item is composed of distributed profitsto foreign countries from investments in Turkey, reinvested earnings andinterest payments related to other intercompany investment . When the profit earned by an direct investment enterprise in a certain period is distributed to direct investors as proportionate to their managerial voting power in the enterprise and the investor transfers this sum to his/her country, this is calleddistributed profit, while reinvested earnings corresponds to profits earned by the direct investment enterprise for a certain period of time that is capitalized rather than being distributed to direct investors as distributed profits.

Distributed profits and reinvested earnings, which displayed an upward trend in 2008 and before, lost pace as of 2009 due to the global financial crisis. The said transfer started to accelerate in 2011 and its share in the debits item reached 25 percent (Chart 6).

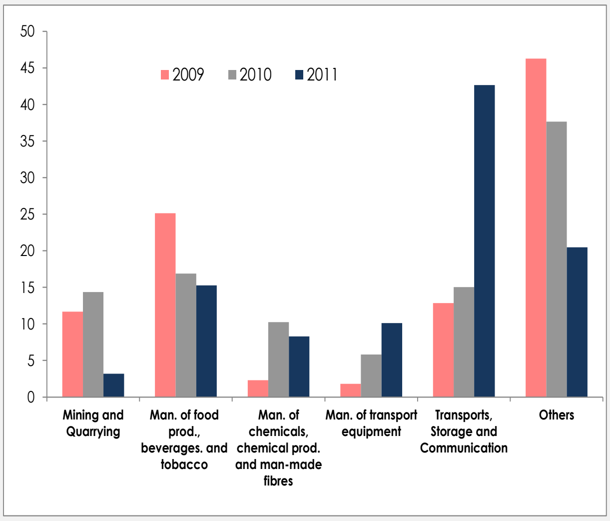
Chart 6. Share of Distributed Profits and Reinvested Earnings in "Income" Debit Item



Source: CBT.

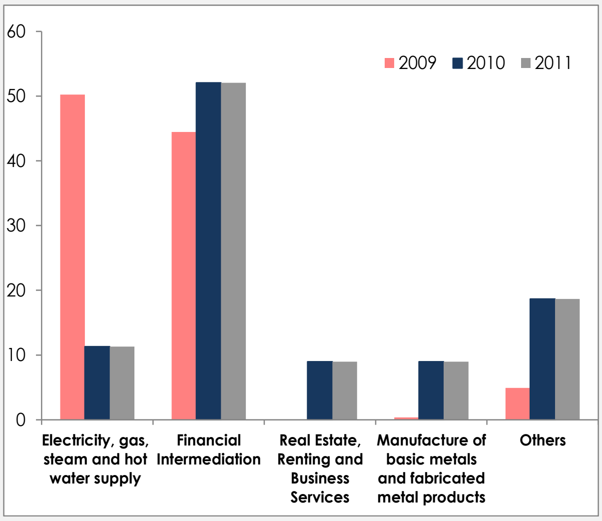
The breakdown of income transfers made by foreign capital enterprises located in Turkey by sectors reveals that "Manufacture of food, beverage and tobacco" was the leading sector in 2009-2010, while "Transports, Storage and Communication" became the leading sector in 2011. Meanwhile, it is observed that earnings from financial intermediation companies were mostly reinvested.

Chart 7. Sectoral Breakdown of Distributed Profits (percent share)



Source: CBT.

Chart 8. Sectoral Breakdown of Reinvested Earnings (percent share)

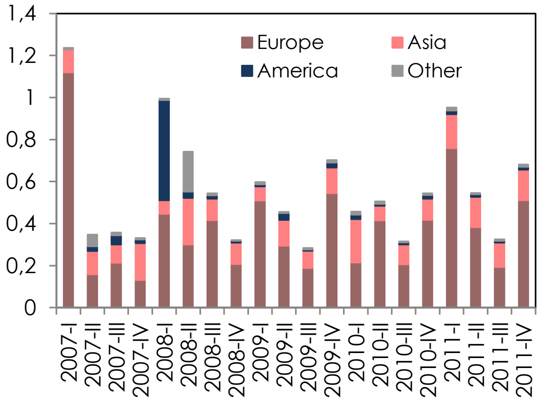


Source: CBT.

In sum, inflows via direct investments, which have been accelerating and becoming more important amid the globalization of financial movements, constitute an important financial component of the balance of payments account. An analysis of recent developments suggests that capital flows to Turkey came mainly from EU countries, and are in the form of equity capital investments especially in the energy and financial services sectors. Meanwhile, it is noteworthy that more companies have been making large-scale investments in Turkey in the last few years.

35. A country-based analysis of the "Direct Investment/Abroad/Outflow" item suggests that the share of European countries, which receives most part of Turkey's direct investments abroad, increased to 73.6 percent in 2011 from its 68.7 percent level in 2010.

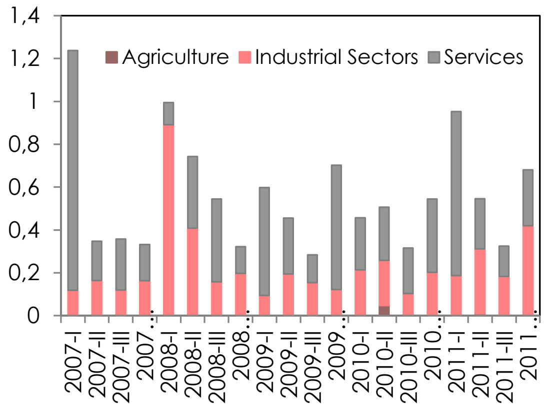
Direct Investments Abroad -Geographical Distribution
(billion USD)



Source: CBT.

36. While 43.3 percent of the total amount of residents' direct investments abroad amounting to 2.5 billion was made in industrial sectors, 55.9 percent was made in services sector.

Direct Investment Abroad - Sectoral Distribution
(billion USD)

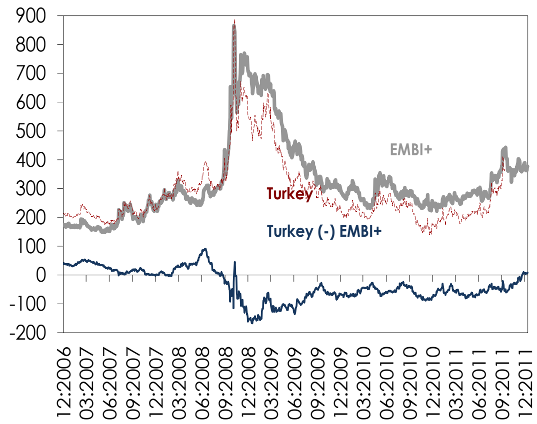


Source: CBT.

2.2 Portfolio Investment

37. Aggrevated debt crisis in the Euro area in 2011 coupled with heightened concerns over global growth led to fluctuations in the Euro zone as well as in global financial markets. Turkey was affected from the fluctuations in financial markets and Turkey's risk premium displayed an upward trend as of the second half of 2011. Especially in the final quarter of 2011, the discrepancy between Emerging Markets Bonds Index (EMBI+) and Turkey's risk premium converged to zero.

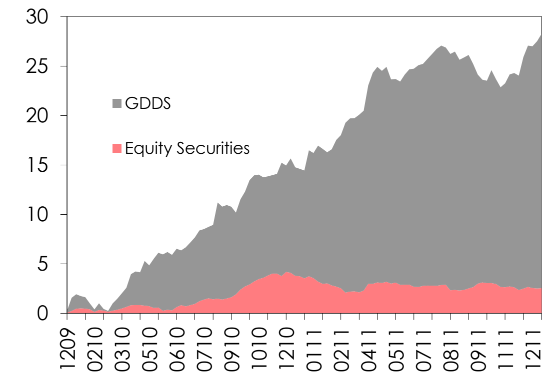
Secondary Market Spreads and Turkey's Relative Position
(basis point)



Source: JP Morgan.

38. Propelled by net purchases especially in November and December, net inflows from GDDS (Government Domestic Debt Securities) became USD 5.2 billion in the final quarter of 2011 and total net inflows from GDDS became USD 14.8 billion for 2011. Despite foreigners' purchases of securities in December, net sales in the final quarter of the year became USD 0.6 billion and the total net outflows in 2011 became USD 1 billion.

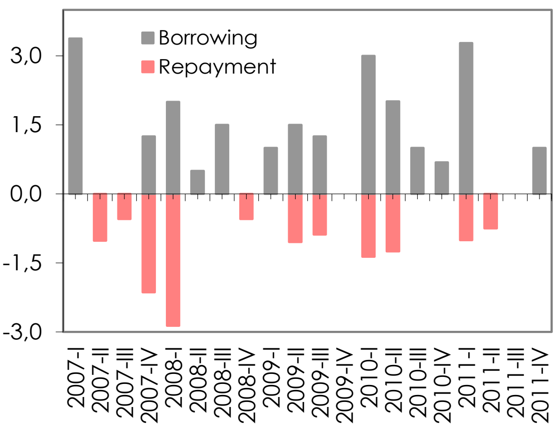
Non-residents' Security Purchases
(billion USD, annualized)



Source: CBT.

39. In the final quarter of the year, the Treasury borrowed USD 1 billion via bond issues abroad. Therefore, the total net capital inflows via bond issues abroad became USD 2.5 billion in 2011.

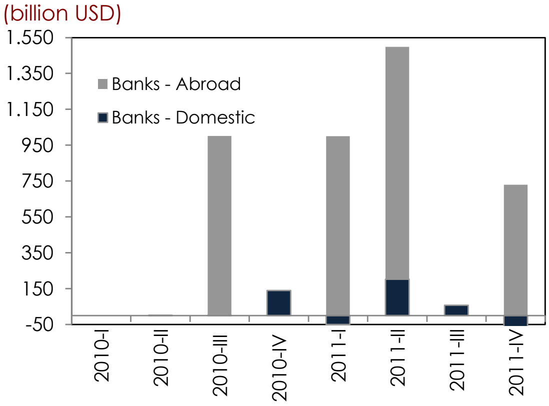
Bonds Issued by General Government Abroad
(billion USD)



Source: CBT.

40. Banks, which borrowed USD 0.7 billion by issuing bonds abroad in the final quarter, borrowed a net total of USD 3 billion throughout 2011. As for debt securities issued by the banking sector in the domestic market, non-residents' net purchases of the mentioned debt securities in 2011 became USD 139 million despite the USD 70 million-worth of sales of non-residents.

Debt Securities Issued by Banks
(billion USD)

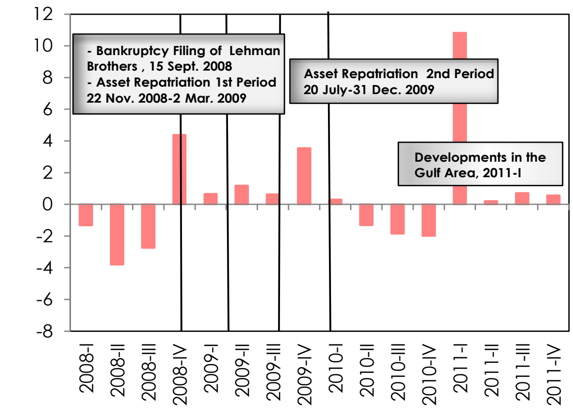


Source: CBT.

2.3 Loans and Deposits

41. The data source of "Financial Account / Other Investment / Assets / Currency and Deposits / Other Sectors" item, which shows changes in deposits of other sectors at foreign banks (including domestic banks' branches abroad), is the local banking statistics published by the Bank for International Settlements (BIS). BIS issues these data on a quarterly basis with a time lag of about 4 months. Starting with the 2011 data, data pertaining to banks' branches abroad have started to be used as benchmarks until the BIS announces the data. In this context, according to BIS final data for the first three quarters of 2011, deposits of other sectors kept abroad decreased by USD 11.8 billion and the benchmark data for the final quarter of 2011 suggest a decline of USD 0.6 billion.

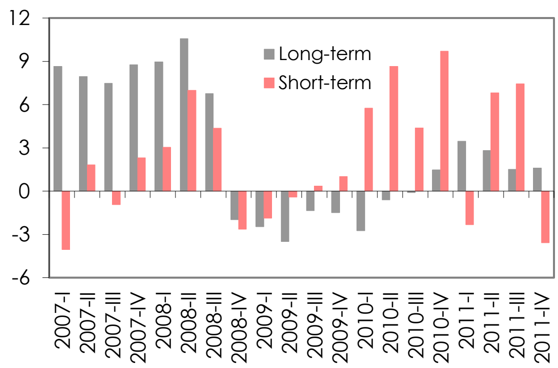
Other Sectors' Deposit Assets Abroad
(billion USD)



Source: CBT.

42. An analysis of other investment excluding IMF loans and banks' FX assets and deposits suggests that long-term flows, which had been inward as of 2010Q4, continued in the second half of 2011, albeit at a slower pace and became USD 9.4 billion in 2011. As for short-term flows: despite the USD 2.7 billion- drop in deposits in 2011, USD 6.8 billion and USD 3.0 billion worth of inflows via short-term loans borrowed by banks and other sectors, respectively, coupled with the USD 2.3 billion-rise in commercial loans, a total of USD 8.4 billion was recorded as short-term inflows.

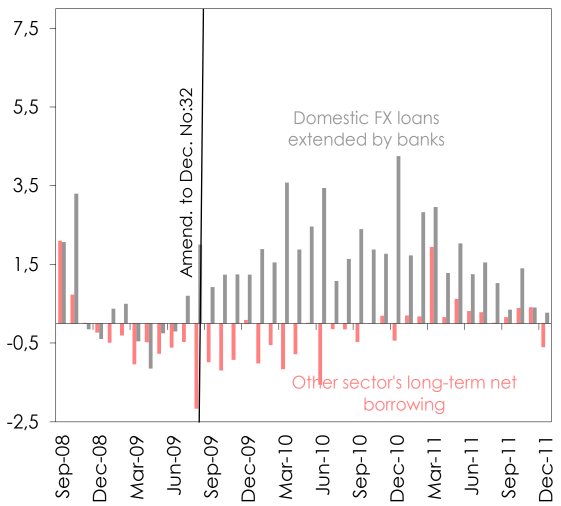
Other Investment
(billion USD, net)



Source: CBT.

43. Due to the contraction in international loan markets, other sector, which was a net re-payer of debt in 2009 and 2010, was net borrower throughout 2011, except for December, mainly due to the significant rise in long-term external loans. Moreover, the decline in FX borrowings of other sectors from domestic banks continued in this period as well.

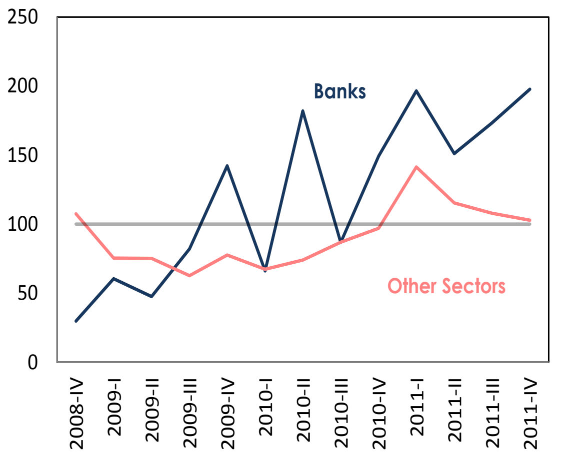
Other Sector's Long-term Net Borrowing and Banks' Domestic FX Loans
(billion USD)



Source: CBT.

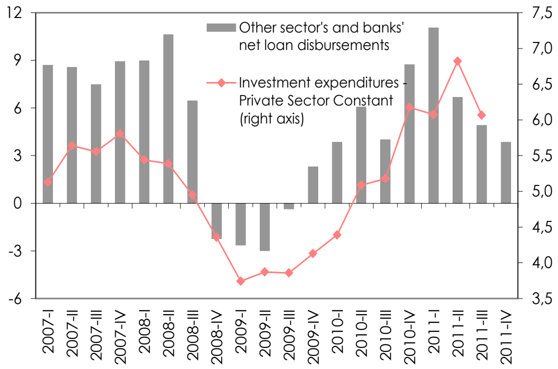
44. In the final quarter of 2011, banks were net borrowers of long-term loans. Thus, banks' long-term debt roll-over ratio improved compared to 2010 and became 176.9 percent.

Banks' and Other Sectors' Long-term Rollover Ratios (%)



Source: CBT.

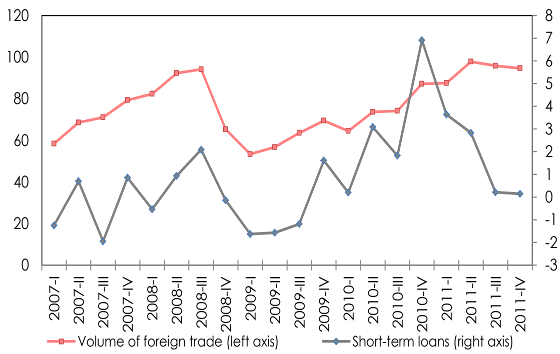
Net Long-term Loan Utilization and Investment Expenditures of Other Sectors
(billion TL, 1998=100, covering the effect of Decree No:32)



Source: CBT.

45. Banks' short-term net loan utilization from abroad has been apparently decreasing since the first quarter of 2011. In 2011, banks utilized short-term loans from abroad totaling USD 6.8 billion.

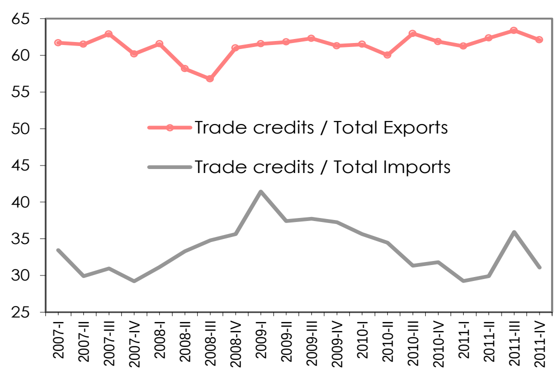
Short-term Bank Loans
(net, billion USD)



Source: CBT.

46. The share of commercial loans in foreign trade resumed its decline in the final quarter of 2011 after having risen in second and third quarters.

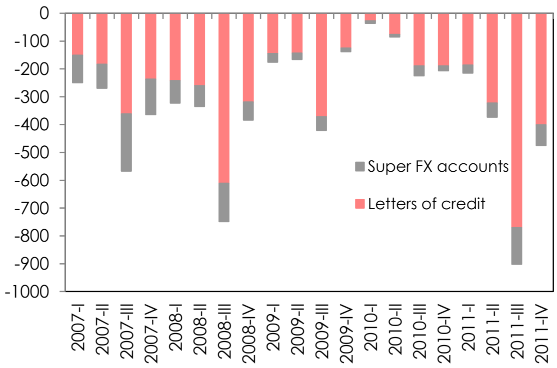
Ratio of Trade Loans to Exports and Imports (%)



Source: CBT, TURKSTAT.

47. Outflows from non-resident Turkish workers' long-term FX deposit accounts with letters of loan and super FX accounts at the Central Bank continued in the final quarter of 2011 due to the interest rate cuts, the latest of which was made in October 2010. Net outflows from the mentioned accounts in 2011 became USD 2 billion.

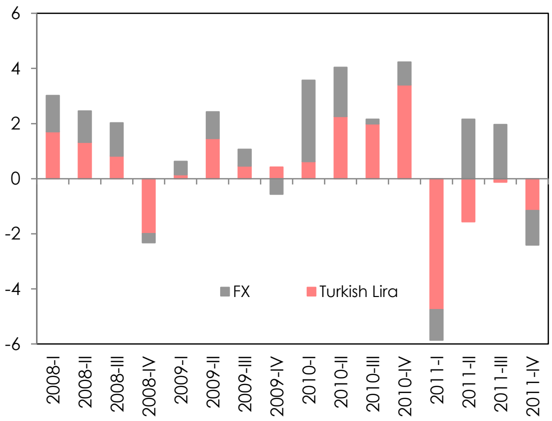
Deposits within the Central Bank
(million USD)



Source: CBT.

48. Non-residents' deposits in domestic banks posted a decline in the final quarter of 2011 and decreased by USD 2.4 billion in the whole year. Despite the rise in FX deposits, overall deposits posted a decline in 2011 due to the USD 7.6 billion decrease in TL deposits of non-resident banks in domestic banks.

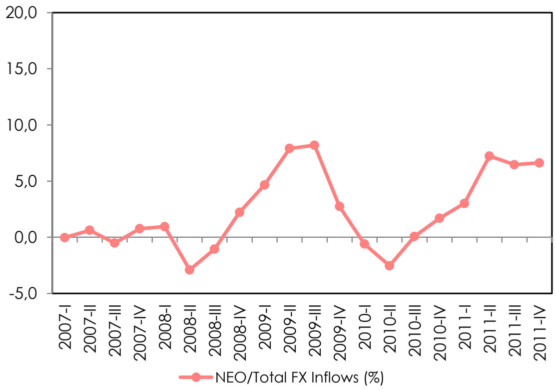
Deposits of Non-resident Banks within the Domestic Banks - Composition of FX and TL
(billion USD)



Source: CBT.

49. The ratio of the net errors and omissions item to total FX inflows that is an item on balance of payments and calculated as the sum of total exports of goods, services account/loan, income account/loan and current transfers items became 8.7 percent in the final quarter of 2011 (Box 6).

Net Errors and Omissions (NEO) and Total Foreign Exchange Inflows (annualized)



Source: CBT.

Box 6 THE REVISIONS MADE IN THE SCOPE OF THE REVISION POLICY FOR BALANCE OF PAYMENTS STATISTICS

Balance of payments statistics of Turkey for the reference month are issued with a 6-week time lag. This time lag is rather short according to international standards. However, in an effort to provide users with more up-to-date information, some transitional data are employed in place of the data unavailable on the issue date. Related data are revised once the final data becomes available. Likewise, when new data compiled from a new source are introduced, data are revised to incorporate the previous years.

The Revision Policy for Balance of Payments Statistics stipulates that data of the current year and the preceding year shall be updated once the final data are available, and the previous year's data shall be revised when the data of December of the current year are issued. Therefore, balance of payments statistics of December 2011 include some revisions that go back as far as 2007. The main revisions that have been made are as follows:

I. Current Account / Services Account

- Data pertaining to revenues obtained from ship rescue, guidance and services alike provided for ships registered in foreign countries have been compiled from the relevant institutions and revised; and USD 570 million has been reflected into Other Transport item for 2008-2011.
- Data pertaining to revenues obtained from ground and terminal services provided for foreign airline carriers and revenues from foreign airline carriers' use of Turkish air space and expenditures stemming from Turkish airline carriers' use of foreign air space have been compiled from the relevant institutions for 2008 and 2009 and USD 695 million has been registered under Services/Other Transportation for the years mentioned.
- Regarding postal and cargo/courier services and commissions deducted from international money transfers, data started to be collected from companies and institutions that had not been covered before; thus, USD 37 million was registered under Services/Other Services and Services/Financial Services items for 2008 and 2009.

II. Capital and Financial Account

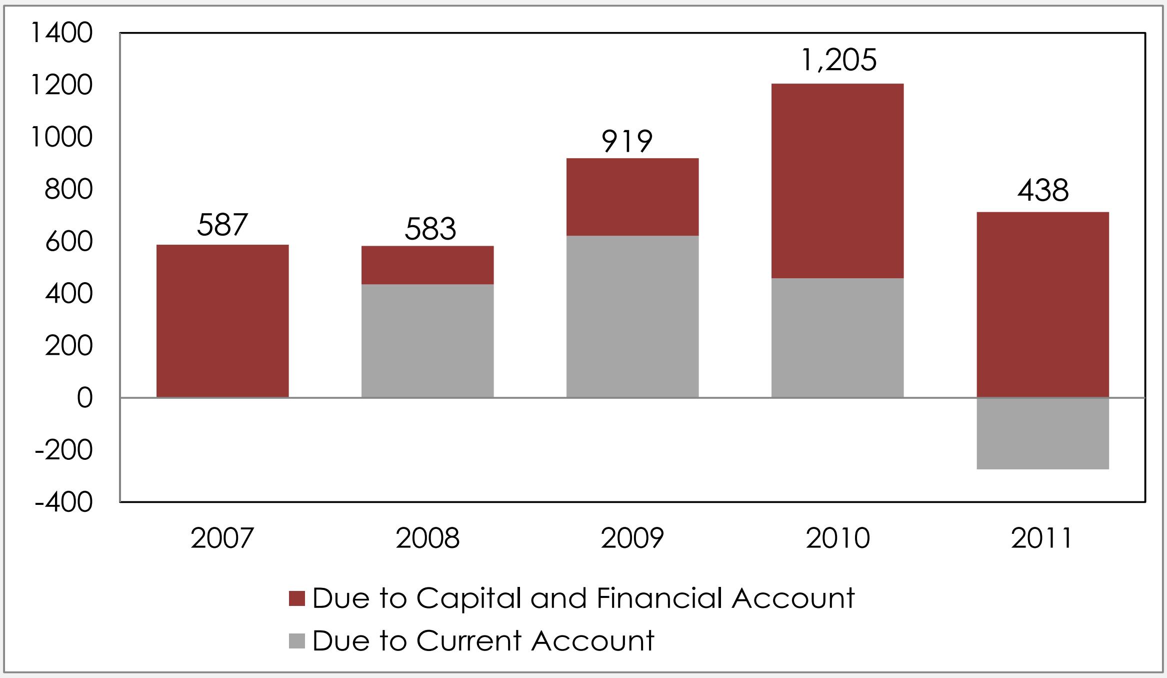
- Acquisition and disposal of Non-produced and Non-financial Assets item under Capital Account, which includes Turkish sports clubs' revenues gained from foreign transfer fees and expenses incurred to foreign sources, was revised to incorporate USD 5 million as expenditures for 2008-2010. For 2011, USD 4 million was recorded as inflow and USD 24 million as outflow.

- The Direct Investment / in Turkey / Equity Capital / Inflow item has been revised for 2010 and November-December 2011 in line with data provided by the Ministry of Economy pertaining to additional capital inflow data of some companies and corrections made by banks. Data for 2010 was revised downward by USD 55 million while that for 2011 was revised upward by USD 336 million.
- As for external loans used by domestic companies registered in the Private Sector External Debt Monitoring System, Other Investment / Liabilities / Loans / Other Sectors / Long Term item was revised by USD 421 million for 2010 and USD 326 million for November-December 2011 as net borrowing, respectively. Moreover, for the TL loan data procured from the same System, Other Investment / Liabilities / Loans / Other Sectors / Long term item for 2008 and 2009 was revised by USD 181 million and USD 275 million as net borrowing respectively.

III. Conclusion

- The Current Account Deficit indicated a decrease of USD 435 million, USD 621 million and USD 458 million for 2008, 2009 and 2010 respectively due mostly to revisions made in the Services Account, while it widened by USD 275 million as of December 2011 (recording USD 1,239 million decrease cumulatively).
- As a consequence of the revisions listed above and other revisions in the current account, the Net Errors and Omissions item decreased by USD 3,732 million in 2007-2011, cumulatively.

The Decreases in Net Errors and Omissions Item (million USD)



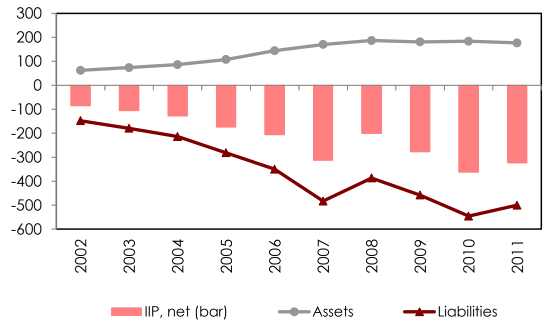
Source:CBT.

III. International Investment Position

50. According to the International Investment Position (IIP), which shows the value of financial claims of Turkish residents from non-residents as well as their reserve assets, and that of financial liabilities of Turkish residents to non-residents at a particular point in time, external assets of Turkey became USD 176.5 billion while liabilities to non-residents became USD 500.2 billion at the end of 2011.

51. Defined as the difference between Turkey's external assets and liabilities, the net IIP, which was USD –361.9 billion at the end of 2010, became USD –323.6 billion at the end of 2011. The USD 38.3 billion-decline in the net IIP was driven by USD 7.1 billion and USD 45.4 billion decrease in assets and liabilities, respectively.

International Investment Position-IIP
(billion USD)



Source: CBT.

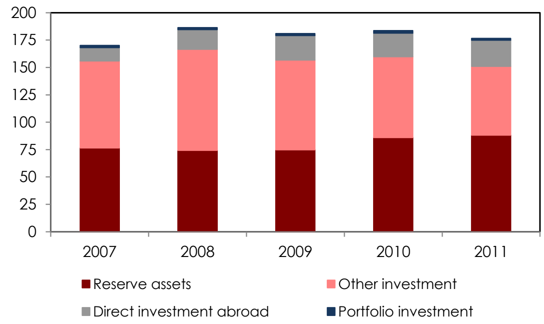
52. By the end of the final quarter of 2011, TL had depreciated against USD by 23.3 percent year-on-year. In the same period, the balance of payment-generated equities worth net USD 986 million was sold. Along with these developments, the Istanbul Stock Exchange National 100 index retreated 22.3 percent, and thus equity stock decreased and materialized as USD 39.1 billion.

53. Despite the contribution of USD 15.7 billion worth of the balance of payment-generated inflow, inward direct investment stock came down to USD 140.4 billion due to changes in value and exchange rate effect.

3.1 Assets

54. In 2011, primarily as a result of the decline in other investments item, asset stock decreased by USD 7.1 billion compared to end-2010. The composition of asset stock, which totaled USD 176.5 billion, changed to the detriment of other investments and composed of 50 percent reserve assets, 36 percent other investments, 14 percent outward direct investments and 1 percent portfolio investments.

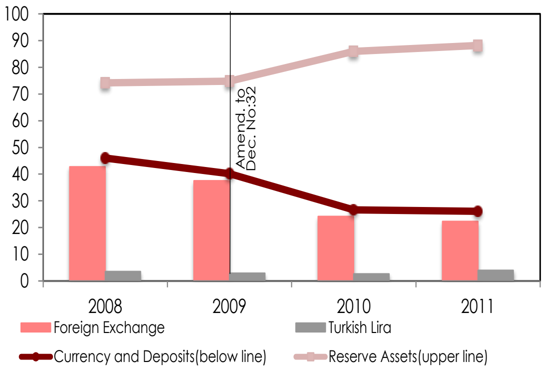
Composition of Assets
(billion USD)



Source: CBT.

55. At the end of 2011, FX and TL-denominated currency and deposits of banks, which are among the sub-items of other investments, remained almost the same as the previous year's level at USD 26.1 billion. In the same context, according to provisional data, other sectors' assets abroad decreased by 11.4 percent year-on-year and became USD 20.1 billion.

FX and TL Composition of the Currency and Deposits abroad of Banks resident in Turkey
(billion USD)

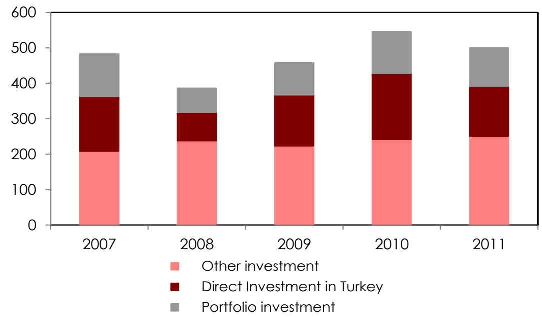


Source: CBT.

3.2 Liabilities

56. In 2011, liabilities items decreased by USD 45.4 billion compared to the previous year and this decline can mainly be attributed to changes in value and exchange rates. Direct investments and portfolio investments declined by USD 45.6 billion and USD 9.2 billion, respectively. The end-year liabilities stock totaling USD 500.2 billion was composed of 42 percent of trade and other loans as sub-items of other investment, 28 percent of inward direct investment, 22 percent of portfolio investments and 8 percent of deposits as a sub-item of other investment.

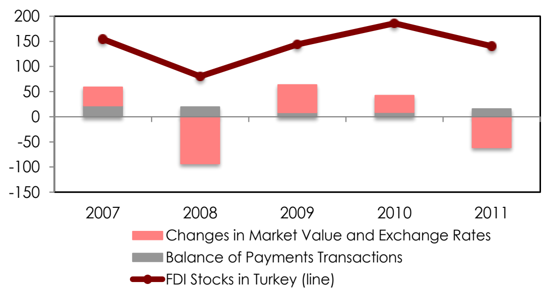
Composition of Liabilities
(billion USD)



Source: CBT.

57. At the end of 2011, inward direct investment stock decreased by 24.5 percent (USD 45.6 billion) quarter-on-quarter and became USD 140.4 billion. In the same period, although inward direct investments posted a balance of payments-generated inflow of USD 15.7 billion stemming from the balance of payments, depreciation of the Turkish lira against US dollar and the retreat of the ISE National 100 Index led to a decline in the mentioned item.

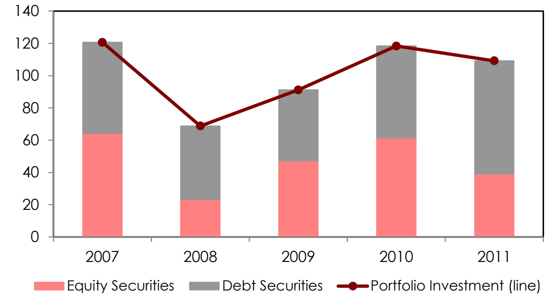
Composition of the Changes in FDI Stocks in Turkey
(billion USD)



Source: CBT.

58. At the end of 2011, non-residents' equity holdings, which accounts for 35.8 percent of portfolio investments stock, became USD 39.1 billion with a decline of 36.3 percent compared to end-2010. Meanwhile, two sub-items of debt securities stock non-residents' holdings of GDDS (Government Domestic Debt Securities) and Bond stock of the Treasury both increased. While, non-residents' holdings of GDDS increased by 14.7 percent and reached USD 37.5 billion; Bond stock of the Treasury was up 23.2 percent and reached USD 28.1 billion.

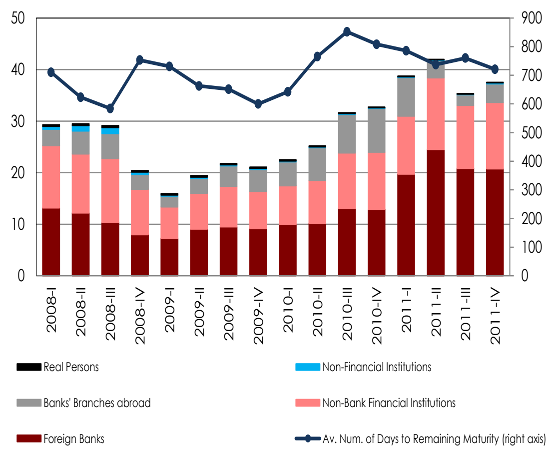
Composition of Portfolio Investment
(billion USD)



Source: CBT.

59. An analysis of the breakdown of non-residents' GDDS stock by holder compared to end-2011 suggests that GDDS held by foreign banks and non-bank financial corporations increased by USD 7.8 billion and USD 1.8 billion respectively while those held by foreign branches of domestic banks decreased by USD 4.8 billion. Moreover, the average number of days to maturity of GDDS held by non-residents, decreased by 10.8 percent compared to end-2010 and became 721 days.

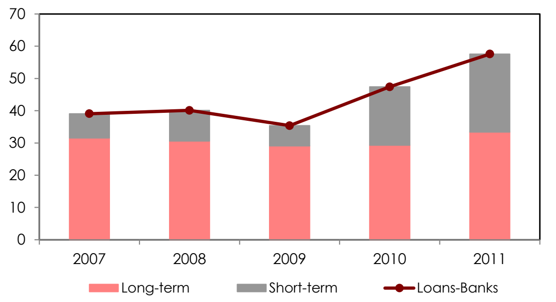
Composition of Non-residents' Holdings of Government Domestic Debt Securities(GDDS) by Loanors and Average Number of Days to Remaining Maturity of GDDS
(market value, billion USD, weighted)



Source: CBT.

60. Total external loan stock of banks became USD 57.6 billion by the end of 2011. in the third quarter of 2011, Compared to end-2010, long-term loan stock increased by USD 4.1 billion while short-term loan stock increased by USD 6.1 billion.

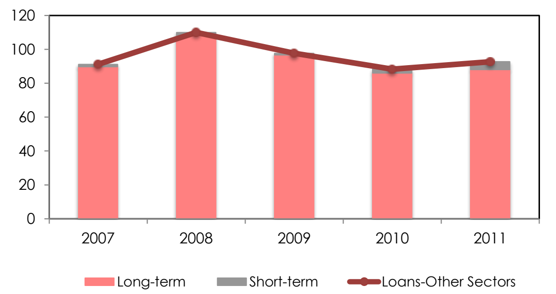
Long-term and Short-term Composition of Banks' Loan Stocks
(billion USD)



Source: CBT.

61. Total external loan stock of the other sectors, which had been on a downward track for the last two years after having recorded historic highs in 2008, increased compared to end-2010 and became 92.7 billion. The rise can be attributed to the rise observed both in long- and short-term loans.

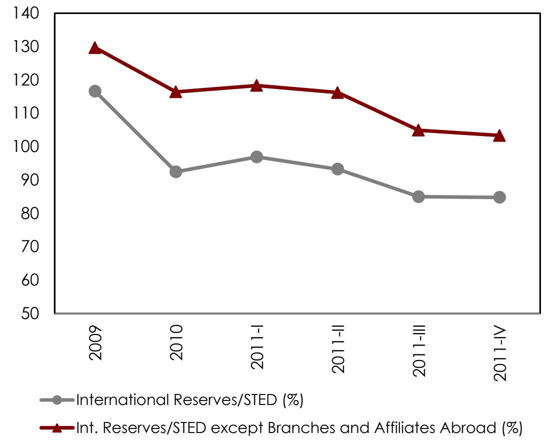
Long-term and Short-term Composition of Other Sectors' Loan Stocks
(billion USD)



Source: CBT.

62. Compared to end-2010, short-term external debt stock on a remaining maturity basis (STED), calculated based on the external debt maturing within 1 year or less regardless of the original maturity, increased by 9.4 percent and reached USD 130.3 billion at the end of 2011. In the same period, while the ratio of CBT reserves to STED was 85 percent, the said ratio is 103 percent when branches and affiliates abroad are excluded.

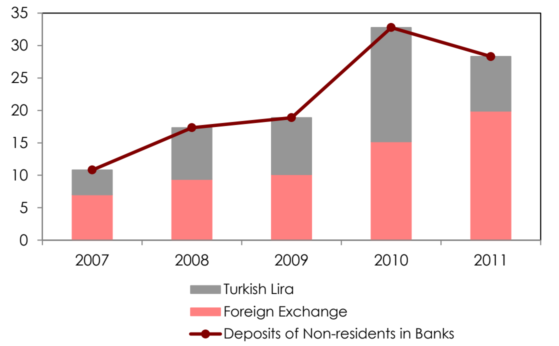
Ratio of Central Bank's Reserves to Short-Term External Debt Stock On A Remaining Maturity Basis (STED)



Source: CBT.

63. Compared to the end of 2010, non-residents' deposits in Turkey decreased by USD 6.6 billion at the end of 2011. The decline can be attributed to the USD 9.2 billion outflow from non-residents' TL deposits at domestic banks and the USD 4.7 billion rise in non-residents' foreign currency deposits at domestic banks. Meanwhile, non-resident Turkish citizens' deposits at the Central Bank declined by 18 percent and came down to USD 9.7 billion in the same period.

FX and TL Composition of the Deposits of Non-residents within Turkish Banks
(billion USD)



Source: CBT.

IV.
Annex Tables

Financing Requirements and Sources
(billion USD)

	2010 I	2010 II	2010 III	2010 IV	2010	2011 I	2011 II	2011 III	2011 IV	2011
Financing Requirements	-21,3	-23,9	-24,9	-34,3	-104,3	-19,9	-33,7	-25,6	-26,8	-105,9
Current Account Balance (Excluding Current Transfers)	-9,6	-10,7	-10,5	-17,2	-48,1	-22,0	-23,4	-16,3	-17,0	-78,8
Debt Security and Credit Repayments	-11,7	-12,7	-9,6	-12,1	-46,1	-9,0	-11,5	-9,7	-10,2	-40,4
Debt Securities (Abroad)	-1,4	-1,2	0,0	0,0	-2,6	-1,0	-0,8	0,0	0,0	-1,8
Long Term Credits	-10,3	-11,5	-9,6	-12,1	-43,5	-8,0	-10,8	-9,7	-10,2	-38,6
Trade Credits	-0,1	-0,1	0,0	0,0	-0,2	-0,1	-0,1	-0,2	0,0	-0,4
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	-0,5	-1,7	-1,2	-1,9	-5,3	-1,0	-1,6	-1,4	-1,7	-5,7
(IMF)	0,0	-0,7	-0,7	-0,8	-2,2	-0,5	-0,6	-1,0	-0,7	-2,8
Banks	-1,3	-0,7	-2,5	-2,2	-6,7	-1,3	-2,0	-2,1	-1,6	-6,9
Other Sectors	-8,4	-9,0	-5,9	-8,0	-31,2	-5,6	-7,1	-5,9	-6,9	-25,6
Other Assets (- indicates to an increase) 1/	0,0	-0,4	-4,8	-4,9	-10,1	11,1	1,3	0,4	0,5	13,3
Financing Sources	21,3	23,9	24,9	34,3	104,3	19,9	33,7	25,6	26,8	105,9
Current Transfers	0,3	0,3	0,4	0,5	1,4	0,4	0,3	0,5	0,6	1,7
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Direct Investment (Net)	1,1	1,1	2,0	3,4	7,6	3,3	2,2	4,3	3,7	13,4
Equity Securities (Net)	0,6	0,2	1,8	0,9	3,5	-1,3	0,5	0,4	-0,6	-1,0
Debt Securities and Credits	12,2	19,5	16,6	25,8	74,1	25,6	25,4	12,4	17,8	81,3
Debt Securities	4,4	5,2	6,0	3,2	18,8	10,9	6,4	-1,9	6,9	22,3
In Turkey (Net)	1,4	3,2	4,0	2,4	10,9	6,6	5,1	-1,9	5,2	15,0
Abroad	3,0	2,0	2,0	0,9	7,9	4,3	1,3	0,0	1,7	7,3
Long Term Credits	7,6	10,3	9,0	13,1	39,8	11,1	13,4	10,9	11,5	46,9
Trade Credits	0,1	0,1	0,0	0,1	0,3	0,0	0,0	0,0	0,0	0,1
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	1,0	2,2	1,6	2,0	6,7	0,7	2,1	0,9	1,1	4,8
(IMF)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	0,9	1,3	2,2	3,2	7,6	2,5	3,0	3,6	3,2	12,3
Other Sectors	5,6	6,6	5,1	7,8	25,1	7,9	8,2	6,4	7,1	29,7
Short Term Credits (Net)	0,3	4,0	1,7	9,5	15,5	3,7	5,6	3,4	-0,6	12,1
Trade Credits	-0,2	0,6	-0,5	2,1	2,0	-0,4	1,8	2,6	-1,7	2,3
Monetary Authority	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General Government	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Banks	0,2	3,1	1,8	6,9	12,0	3,6	2,8	0,2	0,1	6,8
Other Sectors	0,3	0,3	0,4	0,4	1,4	0,5	1,0	0,5	1,0	3,0
Deposits (Net)	4,9	4,5	2,5	1,8	13,8	-5,8	1,2	3,1	-2,9	-4,4
Other Liabilities	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,3	0,0	0,5
Net Errors and Omissions	0,4	-2,2	3,0	1,5	2,7	2,7	5,4	2,2	2,1	12,5
Banks' Currency and Deposits 2/	2,6	5,5	0,7	4,7	13,6	-1,2	4,3	-1,9	-1,1	0,1
Reserve Assets 2/	-0,9	-5,2	-2,4	-4,3	-12,8	-3,9	-5,8	4,4	7,2	1,8

Source: CBT.

1/ Excluding Banks' Currency and Deposits

2/- denotes an increase.

Balance of Payments Debt Creating and Non-Debt Creating Flows
(billion USD)

	2010				2010	2011				2011
	I	II	III	IV		I	II	III	IV	
A) Current Account Balance	-9,3	-10,4	-10,1	-16,8	-46,6	-21,6	-23,1	-15,8	-16,5	-77,1
B) Capital and Financial Acount	8,9	12,6	7,2	15,2	43,9	18,9	17,7	13,6	14,4	64,6
Capital Account	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Financial Account	8,9	12,6	7,2	15,2	44,0	18,9	17,7	13,6	14,4	64,6
Assets	2,2	4,5	-4,3	-0,4	2,0	9,0	5,2	-1,8	-1,3	11,1
Direct Investment	-0,4	-0,5	-0,3	-0,2	-1,5	-0,9	-0,4	-0,3	-0,7	-2,3
Portfolio Investment	-0,8	1,0	-2,6	-1,1	-3,5	0,7	1,6	-0,3	0,5	2,6
Other Investment	3,4	4,0	-1,4	1,0	7,0	9,1	4,0	-1,2	-1,1	10,8
Liabilities	7,6	13,3	13,9	19,9	54,7	13,9	18,4	11,1	8,5	51,8
Non-Debt Creating Flows	2,1	1,9	4,3	4,4	12,6	3,0	3,2	5,2	3,9	15,2
Direct Investment 1/	1,5	1,5	2,3	3,5	8,7	4,3	2,5	4,6	4,4	15,7
Portfolio Investment/Equity Securities	0,6	0,2	1,8	0,9	3,5	-1,3	0,5	0,4	-0,6	-1,0
Other Investment/Other Liabilities 2/	0,0	0,2	0,3	0,0	0,5	0,0	0,2	0,3	0,0	0,5
Debt Creating Flows	5,6	11,4	9,6	15,6	42,1	10,9	15,2	5,8	4,6	36,5
Portfolio Investment/Debt Securities	3,0	4,0	6,0	3,2	16,1	9,9	5,7	-1,9	6,9	20,5
Trade Credits	-0,2	0,6	-0,5	2,2	2,1	-0,5	1,8	2,4	-1,7	2,0
Loans	-2,2	2,3	1,5	8,3	10,0	7,3	6,5	2,3	2,3	18,4
Deposits	4,9	4,5	2,5	1,8	13,8	-5,8	1,2	3,1	-2,9	-4,4
Other Investment/Other Liabilities 2/	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reserve Assets	-0,9	-5,2	-2,4	-4,3	-12,8	-3,9	-5,8	4,4	7,2	1,8
C) Net Errors and Omissions	0,4	-2,2	3,0	1,5	2,7	2,7	5,4	2,2	2,1	12,5

Source: CBT.

1/ "Other Capital" item, which is comprised in the Direct Investment, is presented under Debt Creating Flows/Loans.

2/ The International Monetary Fund (IMF) has made an SDR allocation to its members in proportion to their existing quotas in the Fund in August and September 2009. Accordingly, SDR equivalent of USD 1.497 million was allocated to Turkey, and recorded under the following "Financial Account" items in the balance of payments statistics: "Other Investment / Other Liabilities" and "Reserve Assets / Foreign Exchange / Currency and Deposits".

International Investment Position
(billion USD)

	2007	2008	2009	2010	2011
International Investment Position, net	-313,1	-200,3	-277,1	-361,9	-323,6
Assets	170,1	186,4	181,0	183,6	176,5
Direct investment abroad	12,2	17,8	22,3	21,6	23,9
Portfolio investment	2,0	2,0	1,9	2,3	1,6
Equity securities	0,1	0,1	0,2	0,4	0,2
Debt securities	1,9	1,9	1,7	1,9	1,4
Other investment	79,4	92,4	82,0	73,8	62,8
Trade credits	10,3	8,6	9,3	10,6	11,5
Loans	1,9	2,4	2,6	2,6	2,6
Currency and deposits	65,0	79,2	67,6	58,1	46,2
Banks	34,6	46,0	40,1	26,6	26,1
Foreign exchange	34,6	42,7	37,4	24,1	22,2
Turkish Lira	n.a.	3,4	2,7	2,5	3,9
Other sectors	30,5	33,2	27,5	31,5	20,1
Other assets	2,3	2,3	2,4	2,5	2,6
Monetary authorities	1,5	1,5	1,5	1,5	1,5
General government	0,8	0,8	0,9	1,0	1,0
Reserve assets	76,4	74,2	74,8	86,0	88,2
Monetary gold	3,1	3,2	4,1	5,3	9,9
Special drawing rights	0,1	0,0	1,5	1,5	1,5
Reserve position in the Fund	0,2	0,2	0,2	0,2	0,2
Foreign exchange	73,1	70,8	69,0	79,1	76,7
Currency and deposits	5,4	4,1	5,1	7,8	10,8
Securities	67,7	66,8	63,9	71,3	65,9
Liabilities	483,2	386,8	458,1	545,5	500,2
Direct investment in reporting economy	154,1	80,4	143,8	186,0	140,4
Portfolio investment	120,6	68,8	91,2	118,4	109,2
Equity securities	64,2	23,2	47,2	61,5	39,1
Debt securities	56,4	45,6	43,9	56,9	70,1
Bonds and notes	56,4	45,6	43,9	56,9	70,1
General government	56,4	45,6	43,9	55,5	65,6
In Turkey	32,2	20,4	21,1	32,7	37,5
Abroad	24,3	25,2	22,9	22,8	28,1
Banks	0,0	0,0	0,0	1,1	4,2
Other sectors	0,0	0,0	0,0	0,2	0,2
Other investment	208,4	237,6	223,1	241,1	250,5
Trade credits	21,5	22,6	21,6	23,4	25,7
Other sectors	21,5	22,6	21,6	23,4	25,7
Long-term	0,4	0,6	0,5	0,6	0,3
Short-term	21,1	22,0	21,1	22,8	25,4
Loans	160,3	183,6	167,8	171,7	185,3
Monetary authorities	0,0	0,0	0,0	0,0	0,0
Use of Fund credit & loans from the Fund	0,0	0,0	0,0	0,0	0,0
Other long-term	0,0	0,0	0,0	0,0	0,0
Short-term	0,0	0,0	0,0	0,0	0,0
General government	30,1	33,5	34,7	36,0	35,0
Long-term	30,1	33,5	34,7	36,0	35,0
Short-term	0,0	0,0	0,0	0,0	0,0
Banks	39,1	40,1	35,4	47,4	57,6
Long-term	31,6	30,6	29,1	29,3	33,4
Short-term	7,5	9,5	6,3	18,1	24,2
Other sectors	91,2	110,0	97,7	88,3	92,7
Long-term	89,7	108,2	96,7	86,1	88,0
Short-term	1,4	1,8	1,0	2,3	4,7
Currency and deposits	26,6	31,4	32,2	44,6	38,0
Monetary authorities	15,8	14,1	13,3	11,8	9,7
Banks	10,8	17,3	18,9	32,8	28,3
Foreign Exchange	7,0	9,4	10,1	15,2	19,9
Turkish Lira	3,8	7,9	8,8	17,6	8,4
Other liabilites (**)	0,0	0,0	1,5	1,5	1,5

Source: CBT.

(*) Monthly inward FDI stocks disseminated as an indicator are calculated by adding inward FDI flow figures to the preceeding year-end stocks and by rev aluating the preceeding year-end FDI stocks based on FX rate and market v alue changes of foreign direct inv estment enterprises.

(**) Special Drawing Rights (SDR) allocation made by International Monetary Fund (IMF) to Turkey is recorded under this item.